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FINANCIAL TIMES

No. 27,320

< Wednesday July 13 1977

**12p

Weldmesh.
Ready for anything.Welded steel wire mesh from
The B.R.C. Engineering Company, Stafford.
Weldmesh Sales - 0785 577777 Telex: 36186**NEWS SUMMARY****GENERAL****South Africa plan by EEC****BUSINESS****Equities and gilts rally; £ firm**

High Court upholds union recognition at Grunwick

BY RICHARD EVANS and NICK GARNETT

EQUITIES rallied as hopes for a lessening of inflation improved stock market sentiment. The FT 30-Share Index closed at the day's best of 446.3, up 6.5.

GILTS recouped the previous day's losses in this trading. The FT Government Securities Index rose 0.08 to 67.41.

STERLING closed unchanged at \$1.2000, but its trade-weighted index rose to \$1.607. Dollar's trade-weighted depreciation narrowed to 1.63 (2.11) per cent.

GOLD rose 50¢ to \$141.875.

COCOA prices moved up to new peaks on speculative buying. The September position

closed at \$3,000.

PARLIAMENT, Page 10

Editorial Comment, Page 16

High Court decision and inquiry hearing, Page 23

EMPLOYERS, Page 1

Employees still at work, Page 1

Lord Widgery, Page 1

Lord Widgery said he was satisfied that during discussions with ACAS about the ballot "Mr. Ward could have supplied these lists at any time, but declined to do so in the belief that he could thereby exercise some control over the proceedings, particularly when such matters as the status of the strikers and the meaning of the ballot were concerned."

In Lord Widgery's opinion ACAS's inquiry had been a formal ballot, and the methods adopted were those within the service's wide terms of reference.

The service had been entitled Widgery dismissed the company's to break off negotiations with

Continued on Back Page

Touching £2,985 a tonne, before closing at \$2,869, up £124.5 on the day. Page 27. **Retail coffee price curb proposed**, Page 3

3 WALL STREET, Page 1

904.41

ECC BEEF "mountain" is 50,000 tonnes bigger than a year ago and is still growing by 3,500 tonnes a week. Page 27

JAPAN will take further steps to boost the economy if its growth target of 6.7 per cent for this year is not in sight by next month. Page 6.

Curb sought on Japan van sales

UK MOTOR VEHICLE industry wants Japan to limit its sales of vans in Britain after a big increase in sales of imported vans in the past 18 months. Back Page. Australia has put import quotas on cars to protect its ailing local industry. Page 7.

AIRLINES will put up air fares within the U.K. by between 4 and 10 per cent. from November 1. Page 8. Helicopter services will link Heathrow and Gatwick airports from next April to speed up flight connections. Page 8.

POST OFFICE is sticking to long-term plans to make only one delivery of letters a day. Back Page.

MONOPOLIES Commission will look at the discounts which suppliers give to retailers. It will investigate to what extent discounts are related to cost savings and whether they operate in the public interest. Back Page.

PROVINCIAL building society customers are to receive a discount on Thomas Cook holidays in a new savings scheme. Page 8.

COMPANIES

COMMERCIAL UNION Assurance is selling interests in West Germany and Austria. Page 20 and Lex.

WILKINSON MATCH made record pre-tax profit of £12.85m. (£9.51m.) in the year to March 31. Page 21 and Lex.

INTERNATIONAL TIMBER boosted pre-tax profit to £6.55m. (£0.9m.) in the year to April 2. Page 19 and Lex.

KELLOGG and Tropicana in the U.S. have resumed merger talks. Two earlier attempts to reach agreement broke down. Page 24.

IF PRICE CHANGES YESTERDAY

(in pence unless otherwise indicated)

RISES

Eric 31pc '76-79 £934 +

H 14.1pc 1894 £5100 +

Lord Prop. 116 + 10

Withy 77 + 7

Turner 315 + 18

Deans 543 + 10

De Beers 255 + 9

Days 100 + 9

East Driefontein 182 + 11

Frost 545 + 30

Freight Geduld 950 + 68

Gold Fields S. Africa 142 + 7

Northgate Explorat. 460 + 45

President Brand 910 + 68

Randfontein 257 + 1

West 227 + 7

Yates 96 + 18

Inds. 287 + 6

Montague L. 68 + 4

Reed Intnl. 150 - 5

Fodens 48 - 61

Reed Intnl. 150 - 5

Farms 233 + 10

Falls

Medium and long term finance

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How to protect the poorest

BY PETER RIDDLE

THE GOVERNMENT can still all the many interest groups in salvage something this week the poverty lobby were agreed from its recent defeat on pay that improvements to the child benefit scheme were the first policy by starting now to articulate and offset some of the effects of an unfettered return to free collective bargaining. This need not involve an interference in the bargaining process itself, which would be largely counter-productive, or an return to massive price subsidies and restraint. It should be possible for Ministers—and not least Labour ones if the party label means anything—to offer some protection to the poorest in society without running into any of these pitfalls.

After all, even accepting the Government's own inflation targets—the 12-month rate, increase of retail prices will not be down to single figures until the second quarter of next year, and most outside forecasters believe this target will not be met until 1979. So Britain seems due for at least its fifth successive year of double-figure price inflation.

Index linking

Pensioners and some other recipients of social security benefits have been protected to some extent by the index linking of their benefits to whichever is the higher of earnings or price inflation. However, the same protection has not been offered families with children, so that this group is the fastest growing group in poverty.

The Child Poverty Action Group's evidence to the Royal Commission on the Distribution of Income and Wealth showed that the number of non-pensioners (not those with children) living below the supplementary benefit level—the official poverty line—had increased by more than 50 per cent between 1972 and 1975 while the number of pensioners below the line had dropped by a quarter.

The introduction of child benefits—£1 for the first child and £1.50 for subsequent children—has made no real difference to the basic problem since many poor families were hardly any better off after taking account of consequent reductions in rent and rate rebates. But the present child benefits provide a base for further expansion; an interesting feature of a conference in London last week sponsored by the two Cabinet ministers responsible for social security was that failure to introduce a full tax-credit system in the early 1970s.

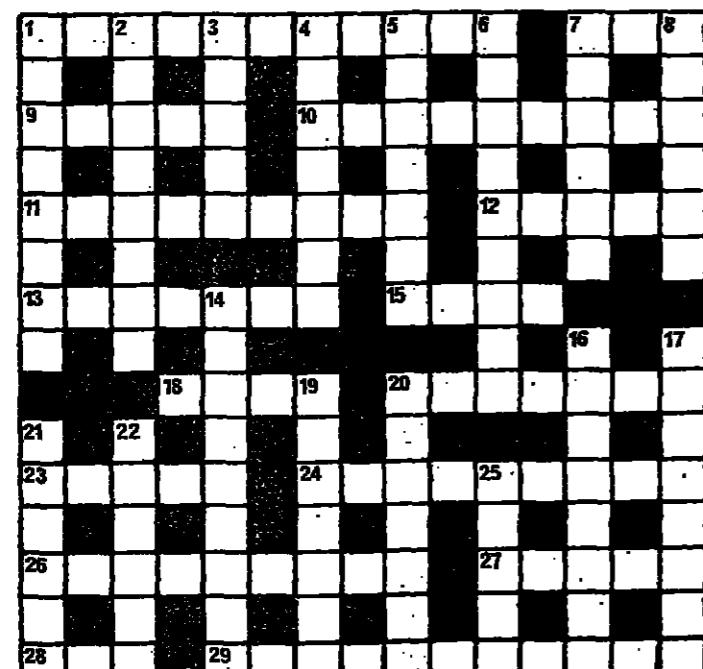
Survival

The political objection to this—as the famous leaked Cabinet documents showed—was that a redistribution from husbands to wives on a large scale is regarded as for some reason “unacceptable” by many Ministers and trade union leaders. Nevertheless, prejudice apart, some announcement later this week about a substantial uprating of child benefits would provide an indication that the Government is thinking about a little more than just electoral survival. The saddest lesson of all this is to show how much was lost by the failure to introduce a full tax-credit system in the early 1970s.

TV/Radio

† Indicates programmes in black and white.
BBC 1
 6.40-7.55 a.m. Open University (UHF only). 10.55 Cricket. Gillette Cup. 1.15 p.m. News, weather. 1.30-1.45 Trumpton. 1.50 Cricket. Gillette Cup. 4.15 Regional News (except London). 10.45 Battle Dame American Film Institute Salute. 11.55 Newsround Weekly. 5.35 All Regions as BBC 1 except at the following times:
 Ludwig.

F.T. CROSSWORD PUZZLE No. 3,429



DOWN
 1 Fights battle for more pay (5, 3)
 2 Educate queue for back row (4, 4)
 3 Relation picked up after match (2-3)
 4 One member taking notes is lacking respect (7)
 5 Letting note become attached to Bill Sikes' girl (7)
 6 Mean to hide New York (6)
 7 Invalid has wager about lodgings (6)
 8 First man with common name to become an economist (4, 5)
 9 Stepped out as good man travelled on horseback (8)
 10 Imagine ram invented (6, 2)
 11 Horse after docking has hair style to follow (7)
 12 Card shuffles sheets (5)
 13 Land pilgrim (5)
 14 Was in charge of detective's offensive (6)
 15 Cleaner youth leader becomes cautious (5)

CRICKET: SECOND TEST

BY TREVOR BAILEY

Win confirms Brearley as captain

ENGLAND beat Australia by nine wickets at Old Trafford to go one up in the Test series. Throughout the game, on a good cricket wicket, they outplayed their opponents in all three departments.

Amiss and Brearley, with the latter the more confident operator, took the total to 32 before the England skipper was caught for an impressive 44. He has now, quite correctly, been appointed captain for the whole summer. The determination he displayed was most encouraging.

Although England have every right to be well satisfied with their large victory, several problems still remain, not least being a surplus of bowlers which is something of an embarrassment to the captain. Rather surprisingly, in the Australian second innings, Brearley employed Greig, his fourth-choice seam bowler, in preference to his second and third, Lever and Old, to support the spin of Underwood and, to a lesser degree, Miller.

This suggests that Greig should be considered as the recognised fifth member of the attack, thus leaving room for another specialist batsman in the next Test. The case for adopting this approach is strengthened by the presence of Woolmer in the side. He may not be a genuine international bowler but is a very useful seamer, certainly as good as Chappell.

Fastest

Because Willis has clearly proved the fastest and most successful of the pace men, and Old has always impressed, it looks as if John Lever could be the unlucky man, despite his three wickets in the first innings. In some respects John's opportunities have been restricted—as he is not really a shock bowler, Bridge, but it would be useful if



It was not all plain sailing for England as they achieved victory yesterday morning. Opener Dennis Amiss was struck on the chin by a ball from Australian fast bowler Jeff Thomson.

to be used in short bursts, but is he could score heavily for changing a winning team. The tourists' troubles are far lengthier, eight-to-ten over spells.

There is also the question of whether Greig will be disciplined for his ill-advised comments on the pitch on the first day. If he should be left out for that reason then Botham is the logical replacement—and probably the eventual successor.

Greig's contract with Packer is likely to exclude him for several years at the very least. Presumably Barlow, the 12th man, will be included at Trent Bridge, but it would be useful if Headingley, as nobody enjoys

(Greig 44).

SALEROOM

BY ANTONY THORNCROFT

Bronze Age ornament sold for £30,000

A BRONZE Age gold-toe prosthesis, or “artificial toe,” which was the top price in an auction of antiquities which made £157,735. An Egyptian buyer’s premium was paid at a glass sale brought in £41,829 with a head of Seshemnef of the 1000 BC and found near Harlech Castle in 1962, was sold for £12,000 to McAlpine, an Attic red amphora of 5th century BC fetched £7,000, and an Egyptian limestone head of an official of Lord Mostyn had been in his family for many years.

An extraordinary price of £20,000 (plus the 10 per cent English and Continental buyers’ premium) was paid at a glass sale brought in £41,829 with a head of Seshemnef of the 1000 BC and found near Harlech Castle in 1962, was sold for £12,000 to Sheppard and Cooper, a Silesian bronze plaque of a jockey ready for the off. It was estimated that this late Victorian coin dealer, totalled £49,560. A pair of 19th century unsigned two leaf screens depicting ducks in a river landscape fetched £5,500 to Woods Wilson, and the same buyer gave £3,800 for a six leaf screen inscribed Tsumenobu.

Another pair of unsigned 19th century six leaf screens was bought by Toynbee-Clarke for £3,000. Christie’s auction of contemporary drawings totalled £46,877.

Sotheby’s main sale yesterday consisted of tribal art, which totalled £119,650. Many of the lots sold were the property of Mr. Alan Clarke, M.P. A Benin bronze plaque, 8cm. high, showing a warrior, sold for £10,500. To Entwhistle and another item from his collection, an Ashirabapuni white-faced wood mask, estimated £9,000 to a Dutch buyer.

Over at Sotheby’s Belgrave saleroom, Victorian seascapes sold for £33,700. “Brazzozin of the Lagoon, Venice” made £3,500, and “Yarmouth Fishing Vessel Entering the Harbour” realised the same sum. Thompson bought “Salvaging a Wreck” by Redmore for £3,000.

RACING

BY DOMINIC WIGAN

Queen of the Realm form well tested

FOUR SMART juveniles in

Fettered Lady, Cuarto Blancas, Lady Bequick and Queen of the Realm clash in this afternoon’s Wren Stakes at Kempton, and this five-furlong event looks like providing the best race of the day.

Although Jeremy Tree’s representative, Lady Bequick, a winner at Salisbury last time out,

is in the lead in the

Shepperton Handicap in

which Guy Harwood’s Assurance

will be trying to concede 7 lbs

and 9 lbs to Miss Dallas and

Oriental Star respectively.

At today’s other meeting

Redcar, which is covered by ITV,

Edward Hide should provide the

best bet with Barny, who bids

to open his account following

three successive second places.

Barny, a bay son of Irish Ball,

is given a reasonably confident

vote in the 14-mile Dandy

Stakes.

Robson is

favourite for the 4-5.

Their other

4-5, Brian Clough

Charlton, 10-1, Ron

Gordon Jago, 50-

Bloomfield, 50-1, Terry

100-1, Dave Sexton.

SALE OF TWO CENTURIES

NOW ON

OPEN DAY Saturday July 15th

25% - 50% REDUCTIONS!

Buy now at never to be repeated prices

Chester Barrie, D’Avanza and Ackerman International

PLUS DRAMATIC REDUCTIONS on sports jackets

trousers, shirts, ties, knitwear, shoes etc.

The runner-up there, Carlton’s

Girl, has advertised the value

of the form on her two subsequent runs, most recently when

defeating all but the highly

talented

GIEVES & HAWKES

of No. 1 SAVILLE ROW, LONDON W1.

Also in the City—Lime Street, Liverpool—Savile Row

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Financial Times Wednesday July 13 1977

That was the week

by CHRIS DUNKLEY

Having admired Menges' work with a hand-held first series of *The XYV* camera was pretty impressive, but I'm not sure if it's a good idea to have a cat bursar called WEDNESDAY — You have to catch up in the admiring the sheer persistence of internal affairs with which BBC Manchester continues to launch live current affairs series; after *Terra Firma* and *People To People* their new effort is *Brass Tacks*. You have to admire the persistence because there is nothing much else to admire. In format this latest attempt is a copy of the new Report. Various protagonists at separate tables are scattered around the studio floor, with a lot of studio walls and equipment showing in the background. The background of this, which had an convincingly authentic feel, is now pushed into and for long periods it is a pleasingly confused.

Followed by one of the modern shoulder-mounted electronic cameras (itself briefly in shot half the time), the presenter strides from one confrontation to the next, picking an argument here, issuing a challenge there, speaking "live" to an ex-army on the phone-in phalanx elsewhere. Is it the tired old "What-do-you-say-to-the-other?" style of television, in which people known to take rigidly opposed and highly emotional positions are engaged in argument?

In the first programme the mother of one of the child victims of the Moors Murders was confronted by Lord Longford pleading for Moors' release.

It was later in the running early trailers all the climactic

In his reports for or to be the very edited International news on BBC 2, Nigel will a lot of the day he could interview with a "Well..."

pictures that BBC 1's looked awfully like a Shock Horror! Just if programme were further out by the

in particular the emergency exercise nuclear power station thing and (this, no cameras in) somewhat

ghoulish interest in and scaremongering about disaster, were it was hard to it was. Why describe the flood dangers in Underground only at the end that the barrier is already There was a second programme to come odd diffuse.

It would be interesting to

John Ingram, who

documentary City

about the Los Angeles

Frederick Wiseman's

documentary *Los*

about the Kansas

and whether the similar sequences

of police trying to deal with citizens), were just a coincidence. Chris

Nureyev's haggard and twitchish, with Nureyev joined by stars, between them are slightly loopy to read Pierrot's emotions and make him look like a bad dancer. Both Pierrot's The Flindt's The undergone a kind of change, seeming not better or worse than gings, but certainly

Lesson: the initial the lunatic dance his pupil-victim is

making of equals

Makarova makes Flindt as Combinine and Johnny

Flindt as Com

EUROPEAN NEWS

Gierek hints at moves towards democracy

By Christopher Bobinski

WARSAW, July 12.
THE POLISH leadership appears intent on introducing a greater degree of democracy into Poland, particularly in the light of a major speech by the party leader Mr. Edward Gierek, and Press commentary that followed it.

"In his speech, made at the recent session of Parliament, Mr. Gierek stressed the need "to improve the working of the representative organs, gradually widen the powers of the local authorities and develop self-government."

Adding a commitment that the "law should be observed and the dignity of the citizen respected in every sector of life," Mr. Gierek declared: "We must constantly raise the political culture of the authorities and of society."

The speech, to which Mr. Gierek is said to attach great importance, was elaborated in the latest issue of *Polityka*, the party weekly. Mr. M. Rakowski, its editor and a member of the Central Committee, says the main problem for the leadership is to maintain the link between the authorities and society.

He reminds readers of the promises Mr. Gierek made in 1970 to respect the principles of democracy after he came to power in the wake of strikes and demonstrations against food price increases.

Significantly, Mr. Rakowski says Poland's present problems should not be put down to external threats or enemies. "We are responsible for failures, mistakes and weakness," he says.

It is still hard to see exactly what the Polish leadership is aiming at, especially since it has in the past spoken of the need for more democracy. Mr. Gierek's remarks are also characteristically low key.

However, the message from sources close to Mr. Gierek, that he sees his speech as a major one, and the *Polityka* comment that there must be no scapegoats, indicate that something is afoot.

Romanian call for Communist independence

By Our Own Correspondent

VIENNA, July 12.
MR. NICHOLAS Ceausescu, the Romanian head of state and secretary-general of the ruling Communist Party, yesterday declared there can no longer be a leading centre in world Communism.

Relations between the different national communist parties should be based on full equality and mutual respect he told 10,000 delegates of industrial workers' councils at a congress in Bucharest. Without mentioning the controversy between Moscow and the Spanish Communist Party, Mr. Ceausescu said it was inevitable that differences of opinion or even divergences would appear. These must be discussed between the parties in a climate of mutual respect.

While supporting the independent status of Western communist parties, the hard-line Romanian leader warned that their independent political line must not involve opposition to what he called "socialism already built and developing in a great number of countries."

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IFO WARNS ON STALLED ATOM POWER PLANS

W. German growth targets at risk

BY GUY HAWTHORN

A LEADING West German economic research institute has warned of dire economic consequences if the country does not go ahead with at least a major part of its nuclear power programme. This is a hot political issue as a storm of protest has resulted in a virtual halt in atomic power station construction.

Building work on power stations already under construction ground to a halt after court decisions earlier this year removed the construction permit for one power station on safety grounds and suspended permis-

sion for another until processing is completed for the disposal of nuclear waste was provided for.

Late last year the Government announced that no new IFO estimates that the real increase in gross domestic product between 1975 and 1985 will average 3.5 per cent, or lower than the Government's targeted

construction with the spent fuel.

Now the IFO Institute Fuer

Wirtschaftsforschung, the

Bavarian economic research

institute, has produced a report

which states categorically that

there is no alternative to nuclear

power if the Government's

If all nuclear power stations

are to be completed by

1981 actually come on stream it will be a

shortfall of electricity of about

20,000 MW. In order to sustain

industry we are not assured,

a 3.5 per cent average annual

GDP growth up to 1985, it fore-

casts that about 32,000 MW of

nuclear energy will be needed.

IFO believes that it will be

impossible to make up this

shortfall by developing other

conventional sources of power.

It also rejects the argument by

many opponents of nuclear

energy that rationalisation and

energy-saving measures will be

able to make good any potential

shortfall.

The institute states that the

opponents of nuclear energy

should explain clearly to the

population exactly what the con-

sequences of a halt in the pro-

gramme would be. It makes

quite clear that there can be no

hope of reaching anything like

full employment without it.

Figures from 1960 to 1973

showed that in order to sustain

between 1972 and 1976 chemicals

production rose by 16.7 per cent,

according to the Working Circle,

a liaison organisation for the in-

dustries.

Assuming a reasonably opti-

mistic output growth rate of 5

per cent for 1977, production by

the year's end will have grown

by an overall 22.5 per cent since

1972. This will give an average

annual production growth rate of

4.1 per cent, says the group.

At the same time, productivity

in the industry — measured in

terms of the value of output per

worker — rose by 16.9 per cent

between 1972 and 1976. This was

a substantial investment both in

plant and rationalisation, have of 4.4 per cent a year. The 1977

utterly failed to keep pace with

the figure will not be available until

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OVERSEAS NEWS

Australian exchange reserves tumble

The flow of foreign capital into Australia dropped off sharply last month, sending foreign reserves tumbling to their lowest level since the 17.2 per cent devaluation of the Australian dollar last November. Reuter reports from Canberra. Official figures released here yesterday showed that, in June, only \$A15m. (£9.7m.) of foreign capital came into the country, compared with \$A78m. (£50.6m.) in May, and a massive \$A344m. immediately after the November devaluation.

Foreign reserves in June were \$A2.64bn., down by \$A233m. from the May figure and well below the post-devaluation peak of \$A3.75bn.

Nyerere for U.S.

President Julius Nyerere of Tanzania will pay a state visit to the U.S. in early August at the invitation of President Carter. Reuter reports from Dar Es Salaam. According to the official Daily News here, President Nyerere will make a two-day private visit to Canada on his way to the U.S. After leaving the U.S. he will make a private visit to Jamaica.

Flood in S. Korea

Drizzling rain in Seoul and neighbouring areas forced South Korean Government workers to evacuate victims of disastrous week-end rainstorm to new shelters yesterday while more than 100 workers acted to prevent further flooding of flooding. LPI reports from Seoul. A rainstorm late on Friday and early on Saturday killed 206 people, according to official statistics. A further 83 were reported missing and presumed dead. About 18,000 houses were flooded and 80,000 people were left homeless.

Vietnam deaths claim

The Association for Human Rights in Vietnam said yesterday that more than 20,000 refugees had drowned in the sea trying to escape from Vietnam since the Communist takeover of the South in May, 1975, UPI reports from Paris. Mr. Doan Van Linh, general secretary of the association which groups 40,000 of the 300,000 Vietnamese refugees living in France, told reporters that, according to sources inside and outside Vietnam, 30,000 people have committed suicide since the fall of Saigon to North Vietnamese troops.

Funds for S. Africa

West Germany has direct investments in South Africa totalling DM.603m. (£150m.) the Bonn daily paper, General Anzeiger, said yesterday. Reuter reports. It said investment in South Africa amounted to DM.26.8m. in the first quarter of this year, compared to DM.38m. for the whole of last year.

ON OTHER PAGES

International Company News: Kellogg big talks ... 24/25 S. African whalers bid ... Farming and Raw Materials: Danes in U.K. butter market CAP reform mooted ... 27

Reflation and import growth will be Fukuda's main target

BY OUR FOREIGN STAFF

MR. TAKEO FUKUDA, the Japanese Prime Minister, said yesterday his Government will take further steps to reflate the economy, including a supplementary budget if necessary, if the latest package of stimulatory measures has not brought this year's 6.7 per cent growth target in sight by next month.

Reflation and reduction of Japan's large and growing trade surplus will be the Government's main priority, Mr. Tatsuo Tanaka, the International Trade and Industry Minister, later told a Press conference. Officials said Government agencies are already studying proposals to increase imports.

This follows yesterday's Bank of Japan estimate of a \$7bn. trade surplus for the first six months of this year, which will probably outstrip last year's record \$9.5bn.

It also follows a petition from the Keidanren (Federation of Japanese Economic Organisations) arguing the need for more vigorous stimulus. The petition was presented immediately after publication of the final results of Sunday's Upper House election, in which the ruling Liberal Democratic Party retained a slim majority.

This electoral success strengthens Mr. Fukuda's hand and he is expected to show greater confidence in handling the economic and other controversial issues—such as the nego-

tiation of a peace and friendship treaty with China—facing his Government.

The final tally in the elections, in which vote counting was completed early yesterday morning, gives the LDP 56 seats including three conservative independents who have either already joined the party or will do so soon. Together with the 61 LDP seats not contested in the elections, this gives the ruling party 127 of the 252 seats in the Upper House.

Effective opposition strength

is 123 (allowing for one vacancy

and for a former president of the Upper House who is not classified as either LDP or Opposition).

The Government thus holds a four-seat majority—three fewer than before the elections but marginally better than was generally expected.

The LDP's success is being attributed to the fact that it fought a united and well-managed campaign whereas the main opposition party, the Japan Socialist Party, appears to have mismanaged its campaign as a result of internal differences. The LDP's leadership correctly judged the optimum number of candidates to field for the 50-seat national constituency—learning from its mistake in the Upper House elections three years ago when the pro-Government vote was split between too many candidates.

Sri Lanka's opposition woos youth vote

BY MERVYN DE SILVA

COLOMBO, July 12.

SRI Lanka's conservative opposition United National Party, increasingly confident of overthrowing the government of Mrs. Sirimavo Bandaranaike in next week's general election, is pitching the final stages of its campaign to wooing the votes of radical youth.

Most of the country's one million registered unemployed are educated youth and their protest vote is likely to be a decisive factor in an electorate of under seven million.

Mr. J. P. Jayawardene, the 71-year-old UNP leader, gave further proof at the weekend of his tactical shift to the left, when he offered to review the sentence imposed on Mr. Rohana Wijeweera, the head of the People's Liberation Front which launched the insurgency in 1971.

Now considered a romantic figure among the young, Mr. Wijeweera was imprisoned for life after the insurgency had been crushed. The UNP has traditionally been the party of big business

and rural landowners. It hopes to gain 100 of the 168 seats in the assembly.

Mrs. Bandaranaike suffered a further setback to her chances of avoiding defeat with the recent announcement by the Tamil United Liberation Front that they would constitute a separate assembly after the election. The TULF is contesting 26 seats on the platform of Tamil

nationalism.

Their announcement is tantamount to a declaration that they will push their demands for autonomy for the northern part of the island to the point of seeking a separate state. It also puts pay to Mrs. Bandaranaike's hopes of again enrolling them in a coalition.

Mrs. Bandaranaike is fighting the election against a background of rising prices and a stagnant economy. She has been in power for the last seven years as the result of a coalition between her ruling Sri Lanka Freedom Party and the Communist and Trotskyite parties. The latter

have deserted her to form their own radical front.

Development of Mekong will resume

BANGKOK, July 12.

VIETNAM, Laos and Thailand—with or without Cambodia—will resume development of the Mekong River later this month, suspended in 1975 due to the Indo-China war.

Mr. V. J. van de Oord, chief co-ordinator of the project, confirmed reports that representatives of the three countries will meet on July 26-28 in Vientiane and work as an interim committee. Cambodia has failed to answer invitations to the meeting. But Mr. van de Oord said that "other committee members would be delighted if Cambodia would show up."

The committee was formed in the 1960s for joint work to build dams and reservoirs, irrigation systems for farmland, and to promote fishing, communications and transport along the 2,500-mile length of the Mekong.

The joint operations were interrupted in 1975 when Communist armies were victorious in Cambodia, Laos and Vietnam. The Mekong drains an area of south-east Asia inhabited by 100m. people.—UPI

Great but not super sheikh

BY COLIN MACDOUGALL

IN A major new study of the Chinese oil industry, the CIA has concluded that Peking's onshore reserves are about the same as the 89.5b. barrels remaining in the U.S. while its offshore potential is likely to be less than earlier predictions had foretold. These are the conclusions of a report backed up by analysis of earlier geological research, including satellite observations, statistical work and accumulation of known facts about refineries, pipelines and consumption patterns in China.

The CIA estimate places China well above the U.K. (proven reserves around 17bn. barrels) but well below the major Middle East oil states. Iran (83bn.), Kuwait (67.4bn.), Saudi Arabia (50.8bn.) and Iraq (33.8bn.)

... While admitting that not even the Chinese know the size of which 12 are on land, their reserves, the CIA estimates that they are considerable, are in the northern half of the country. The offshore basins though not of the startling size that was earlier suggested, notably by the Japanese. In fact the agency has scaled down considerably its own estimates of reserves and production published two years ago in the report to the Joint Economic Committee of Congress.

The CIA estimates that production by 1980 will be around 125m. tons annually, compared with its earlier prediction of 200m. odd.

The trend appears to be that with lower figures than those produced earlier.

The new figure tallies with the available more realistic assessments.

On this basis, the CIA calculates that China's currently projected production for another 70 years, about 90 per cent of national total. This is based on the assumption that the level of output will expand to meet pace with growing domestic demand.

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To date, South Africa has accepted that there should be a UN representative appointed by Dr. Kurt Waldheim, the UN Secretary-General, and South Africa.

While South Africa is keen to avoid the impression that the UN will be supervising the elections Swaziland insists on UN supervision. One Western source says a solution to this problem may be largely a question of how an

agreement is presented that scores of UN personnel will be needed to staff entire run-up to the poll.

The key person in the dispute is the role and size of the Swazi who the South African forces can be neutralised by some form of UN civilian presence, still to be decided.

This, however, might not be acceptable to the internal administration of the territory.

The responsibilities of a UN team—which one Western source says will amount to scores or even several hundred civilian personnel during the run-up to the election—have taken on particular importance because of the current impasse over the presence of South African troops in the territory until independence.

With Mr. R. F. P. Botha, the South African Foreign Minister, the judge briefed representatives of the local Turnhalle conference on recent South African talks with the five western powers which are trying to negotiate a peaceful transfer of power in Namibia.

These contacts led to the abandonment of the Turnhalle plans for an ethnically based interim government, and the appointment of an administrator.

Mr. Botha said after the meeting that "it is now possible to comply with all the basic outstanding points which have been the object of the South West Africa dispute for the past

30 years, provided reason and fairness prevail."

However, it is clear that there are still some major hurdles standing in the way of a solution to the dispute. The predominant role accepted Pretoria's argument and are hoping to convince the role and size of the Swazi that the South African forces can be neutralised by some form of UN civilian presence, still to be decided.

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WORLD TRADE NEWS

Australian import quotas

By Randal

ANBERRA, July 12.

STRALIAN Govern-

ment applying imme-

diate controls on ex-

ports to protect its ailing

industry. Imports will

not exceed 10 per cent

of the total imports in

the next six months to

the end of May. Statisti-

cally available, the

severely affected will

be restricted to 1116 units

in the first year.

Minister for Industry

Eric. Senator Robert

said the new quota

would operate from

July 1. Cabinet prob-

ad examined carefully

and prospective

import situation,

that immediate action

was necessary to prevent

disruption to employ-

ment in the local industry.

of new cars and

won in the 12 months

1 of May were 448,244

cars over that same

period. Cabinet had

today later figures and

projections for imports:

according to the indus-

try an even grimmer

local manufacturers

increasingly depressed

in the Government's

industry problems, the

Chrysler to negotiate

scaling down of pro-

duction by the vehicle builders

IBU's appear to have

Chrysler has an

issue that will have to

production workers

end of this month

\$80 more would also

be retrofitted if union

would not accept a

working week to reduce

up in the company

which now total 6,000

on executive and shop

recommended the pro-

cess meetings to-day

were howled off at

the main meeting

stralia. Militants took

meeting and pushed

decisions to not only

four-day week but in

existing stockpiles and

a new model which

had hoped would fit

penetration.

The problems, however,

decisions are put into

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on the U.K.

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balance of payments, as a result

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HOME NEWS

Prospects improve for house buyers

BY DAVID FREUD, INDUSTRIAL STAFF

FIRST-TIME PURCHASERS are now in a better position to buy houses than at any time since the early 1970s, according to the Nationwide Building Society.

According to Mr Leonard Williams, chief general manager of Nationwide, there is still no sign of any significant acceleration in the rate of increase in house prices, while first-time buyers were further helped by the July reduction in mortgage interest to 10½ per cent.

Nationwide's U.K. quarterly house price indices published today show that prices of both new and second-hand houses increased by about 3 per cent between April and June. This brought the rise for the first-half of the year to 4½ per cent, compared with just under 4 per cent in the same period of 1976, and more than 5 per cent in 1975.

The overall rise in house prices of 8 per cent over the last year was less than half the rate of inflation as measured by the retail price index.

Mr. Williams said that with incomes and house prices now back to the level of late 1975, which existed before the 1976 boom, the prospect for prices would be influenced by the outlook for incomes and inflation.

There was no sign of any faster rise in prices in the South East where the last boom had begun.

Demand for mortgages continued to be strong and building societies were lending at a high level, which could enable buyers to first-time buyers, of whom 84 per cent, had bought their 1976 loan record second-hand property. Nearly a third of first-time purchasers had bought houses built before

being augmented by the continued transfer of property from the private rented sector.

The search is still in its early stages but it is thought that Mr. Roy Hattersley, Prices Secretary, would like to find someone from outside the established consumer movement who would bring a more aggressive, down-to-earth approach to the Council, which was set up two years ago to act as the partisan voice of the consumer.

Mr. Young, who was appointed by Mr. Hattersley's predecessor, Mrs. Shirley Williams, and who has close links with the consumer movement, has interpreted the word "consumer" in a very broad way and has become involved with issues which some people in the Department of Prices have regarded as peripheral to the Council's intended mandate.

Yesterday Mr. Young was in America and the Department of Prices would not comment on the suggestion that it was looking for a new chairman for the NCC. But Mr. Young's present term of office expires in May and, given his many other interests, there has been speculation that he would not want to renew his contract.

This week the Council's 17-person policy making group agreed to the appointment of Sir Jeremy Mitchell, the present director of consumer affairs at the Office of Fair Trading, as the NCC's next director.

Mr. Mitchell, who is taking over from Mr. John Hosker has been involved in the consumer movement for almost 20 years. His experience, starting at the all issues.

Fall in retail textile sales worries North-West companies

BY RHTS DAVID, TEXTILES CORRESPONDENT

A DOWNTURN in retail sales of textiles within the past two to three months, after a period of relative buoyancy in the first quarter of this year, is raising concern in the cotton and allied textile sectors, based mainly in the North-West.

The British Textile Employers' Association, the sector's representative body, has already put substantial help for the spinning industry which is said to be faced with a number of mill closures following a drop in forward ordering and in the take-up of orders since March.

Retail sales of clothing are thought to have dropped by around 5 per cent over the past three months. This coinciding with continued high import levels, has raised stocks of yarn in a case to the Government for substantial help for the spinning industry which is said to be faced with a number of mill closures following a drop in forward ordering and in the take-up of orders since March.

The recent setbacks follow similar halting several months

earlier in other countries in the recovery from textile recession with yarn spin in the main producing countries outside the Commonwealth world estimated to have been down 2 per cent in the first quarter on the peak period last year.

The main drop has been in cotton yarn down 6 per cent against an increase of 5 per cent in man-made fibre and blend exports.

Exports of cotton cloth from the main producing countries in the first quarter are also thought to have been down about 3 per cent, though the U.K. and other European countries managed to increase sales abroad.

Visitors

The Textile Statistics Bureau in its latest quarterly report points out that during the first quarter this year U.K. levels of activity were continuing to improve with textile production

Radiation monitoring 'should be extended'

BY IAN BREACH IN WHITEHAVEN

MEMBERS of the general public in West Cumbria should be subjected to whole-body monitoring of their exposure to industrially produced radiation, as are workers at the Windscale atomic plant, it was suggested at the Windscale inquiry in Whitehaven yesterday.

The suggestion came from Dr. Brian Wynne, appearing for the Network for Nuclear Concern which is among the groups opposing British Nuclear Fuels' proposal to build a thermal oxide reprocessing plant at Windscale.

Cross-examining Mr. Peter Mumford, director of health and safety at British Nuclear Fuels, and a former general manager at Windscale, Dr. Wynne said that existing studies on radio logical hazard had concentrated on following the paths whereby radioactive contaminants found their way back to the human environment. Further work should be undertaken to discover, for instance, whether particular groups of people were more vulnerable than was supposed.

Heavy fish eaters who were also above-average consumers of milk might be particularly at risk. The identification of pathways was unreliable, said Dr. Wynne. He cited cases in India and Canada where radiation dose levels had been wrongly assessed by a factor of up to five.

Mr. Mumford answered that such validation studies could only give additional confidence in the figures already produced. He said that workers at the Windscale plant were, on average, within the recommended maximum dose levels; a further 10 employees had been exposed to levels beyond the limit.

Asked about the possibility of wild animals having access to active areas at Windscale (there was reference to the now notorious "radioactive cat"), he said that the company did use measures to prevent such access but that, even if these measures were not entirely successful, significant environmental radiation levels would not rise above accepted limits.

At the end of the 20th day of the Windscale inquiry, Mr. Mumford was still being cross-examined by Mr. Peter Taylor, of the Oxford Political Ecology Group, who was putting questions on the validation of radiation dose limits and on the importance of environmental factors in assessing cancer risks.

At this rate, the company's submission is now almost certain to go on for a further fortnight.

taking the inquiry into a seventh week of opening evidence.

Education chief wants bright pupils to work in factories

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

ACADEMICALLY bright youngsters should leave school and start work on the factory floor, Mr. Barry Taylor, chief education officer for Somerset, said yesterday. For many that would be a better training for top management than going on to conventional degree courses at university, he said.

"We must encourage the belief that the skilled worker is as socially useful as the doctor or nurse," added Mr. Taylor, who has been leading a group studying the educational scope for youngsters aged 16-plus in several Western European countries.

For far too long good scholars have been encouraged about the world beyond school to become social workers or full-time study."

Mr. Roy Jackson, secretary of the TUC Education Committee, said the TUC "would not go along with the idea that young people should be dissuaded from seeking or taking existing degree-level courses."

Even so, the TUC felt that it might be appropriate for youngsters to have some experience of industry between leaving school and entering higher education. Mr. Jackson said: "We would certainly approve of young people leaving them-

Neutron weapon has big advantage

By David Fishlock,
Science Editor

EXPOSURE to high-energy neutrons is one of the speediest and surest methods of killing. High doses of neutron rays, above 1,000 rads, will damage the brain severely.

Herein lies the ultimate military attraction of the neutron weapon.

It is a concept which dates back at least to the 1950s but which has taken many years to refine into a compact missile that might be used in a tactical role, for example by land forces.

In Europe, for example, where Nato armour is greatly outweighed by enemy forces, the enemy armour will prove no barrier to neutrons-electronically neutral constituents of atoms.

No technical details of the new weapon have been disclosed beyond the fact that it is a tactical weapon which could form the warhead for the Lance short-range missile.

Blast effect

The first public reference to the new weapon was made in March by General Alfred Starbird, assistant administrator for national security of the U.S. Energy Research and Development Administration (formerly the U.S. Atomic Energy Commission).

Unlike another nuclear weapon in which the U.S. military showed a disturbing interest in the 1960s, namely the radiological weapon, which simply spread a deadly level of radiation over a wide area, the neutron weapon would permit troops to enter the blast zone without delay and without the normal risks of "mopping-up" operations.

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Consumer group may select new leader

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE DEPARTMENT OF PRICES IS believed to be looking for a successor to Mr. Michael Young to head the Government-financed National Consumer Council.

The search is still in its early stages but it is thought that Mr. Roy Hattersley, Prices Secretary, would like to find someone from outside the established consumer movement who would bring a more aggressive, down-to-earth approach to the Council, which was set up two years ago to act as the partisan voice of the consumer.

Mr. Young, who was appointed by Mr. Hattersley's predecessor, Mrs. Shirley Williams, and who has close links with the consumer movement, has interpreted the word "consumer" in a very broad way and has become involved with issues which some people in the Department of Prices have regarded as peripheral to the Council's intended mandate.

Yesterday Mr. Young was in America and the Department of Prices would not comment on the suggestion that it was looking for a new chairman for the NCC. But Mr. Young's present term of office expires in May and, given his many other interests, there has been speculation that he would not want to renew his contract.

This week the Council's 17-person policy making group agreed to the appointment of Sir Jeremy Mitchell,

New Director of the National Consumer Council

Consumers' Association is in the more traditional areas of consumer affairs, such as protecting consumers from unfair business practices, but he has also been involved in work for the social services, which the NCC, under Michael Young, regards as part of its remit.

Both the Office of Fair Trading, which Mr. Mitchell joined when it was set up in 1973, and the NCC are Government-financed bodies. But whereas the Office of Fair Trading is supposed to act as a neutral referee in the market place, the NCC is meant to take the consumers' side on new devolution proposals, last night saw Mr. Michael Foot, Lord President, who has promised to keep trades unions and Labour parties in Scotland and Wales fully informed of Government thinking.

The Government has promised a "substantial" statement on its devolution intentions before the end of the present session later this month.

It is likely to include some major changes from the previous legislation, partly in concession to the Liberals for their support for the Government and partly to make it less offensive to the Labour MPs who opposed the last measure.

There are almost certain to be two separate Bills for Scotland and Wales (as opposed to the single previous Bill), which will have the effect of increasing support for the Scottish measure at the expense of Wales.

There could also be some concession towards independence for the Scottish Assembly, but it would fall short of the share of North Sea royalties originally demanded by the Liberals.

Move to win over devolution rebels

By Our Scottish Correspondent

A DELEGATION from the Scottish Council of the Labour Party will meet representatives of the party's Northern region to-day in an effort to win more friends for the new devolution legislation to be introduced in the next session of Parliament.

Nine of the 48 Labour MPs who helped kill the first Bill in February by either voting against the guillotine motion or abstaining were from the North of England constituencies.

Unless some of these rebels

Ford dispute hits recovery in U.K. vehicle industry

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE RECENT recovery in the vehicle production suffered a sharp blow last month from the dispute at Ford which hit both its car and Transit van output.

The figures, published yesterday by the Department of Industry, show that the slump in vehicle production, for which there is a good potential market, has been increasing.

In trucks, the halting of Ford Transit production last month also puts the British industry at a serious disadvantage.

On a seasonal basis, however, car production increased by 12 per cent in the last quarter, compared with the same period in the previous three months.

Although the car figures indicate that, with production recovering this month, the industry is still well positioned to improve on last year's performance, both the car and truck manufacturers are worried that there are still opportunities for incursions by imports.

These production problems reached 98,000 vehicles for the month (against 124,000) and truck production 23,000 (against 35,200). Seasonally adjusted output

reached 98,000 vehicles for the month (against 124,000) and truck production 23,000 (against 35,200).

Oil glut leads to cut in spot prices

BY RAY DAFTER, ENERGY CORRESPONDENT

A WORLD GLUT in oil supplies has led to a marked reduction in spot market prices. Rising North Sea oil production is now being met by producers helping to contribute to this weakening market, according to market reports.

As members of the Organisation of Petroleum Exporting Countries meet in Sweden there are signs that major oil companies are being forced to offer discounts off the official selling price.

Exxon, the world's biggest oil group, has already offered a 20 cent a barrel discount on the price of its Libyan Brega crude oil for the third quarter. According to the latest issue of Petroleum Intelligence Weekly, elsewhere spot cargoes of African crude are said to be available at 25-30 cents a barrel discounts.

Lates' U.K. Government figures show that the North Sea is already meeting half Britain's oil requirements. This enabled Britain to trim its oil imports by 23.7 per cent, about 8.5m. tons, in the first four months of 1977.

Loan of £6.9m. for Tees benzole plant

BY KEVIN DONE, CHEMICALS CORRESPONDENT

THE BRITISH Steel Corporation of plastics, such as polystyrene, has secured a £6.9m. medium-term loan from the European Investment Bank to help finance the construction of a benzole plant at Teesport.

Work on the site has already started and production is expected to begin in October 1978. The plant will have a capacity to refine 125,000 tonnes of benzole resulting from high coke production during the first half of the year.

Benzole is a by-product of coke manufacture and is refined from the benzene, a chemical building block, used in the manufacture of polystyrene.

The plant will have a capacity of 125,000 tonnes of benzole resulting from high coke production during the first half of the year.

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Various ideas for an air service have been explored over recent months but original plans for fixed-wing services have not yet been finalised in favour of the latter.

Flying time between the two airports will be about 15 minutes, and fares are expected to reflect greater operational flexibility.

Heathrow-Gatwick air link to start next April

BY MICHAEL DONNIE, AEROSPACE CORRESPONDENT

A HELICOPTER LINK between Heathrow and Gatwick airports is to be started next April by port will be every hour in each direction. The Heathrow link will be a one-year experimental project, with the Gatwick link starting in 1979, when the M25 motorway is completed.

The Authority was now in final discussions with prospective operators of the service, flights from the other two airports will be available by road, taking up to two hours.

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Oil
in Suez Canal

NatWest also has branches overseas.

PARLIAMENT and POLITICS

Callaghan hopes basis now exists for Grunwick peace

BY IVOR OWEN, PARLIAMENTARY STAFF

A "COOL IT" plea was made to both sides in the Grunwick dispute by the Prime Minister when the Commons yesterday when he urged the two High Court decisions by handing the ACAS recommendation that the firm ought to recognise the clerical union, APEX, for bargaining purposes, should be used as the basis for an early settlement.

His central theme that there should now be a drawing together of the two parties was endorsed by Mr. James Prior, shadow Employment Secretary.

Mr. Callaghan suggested that in the light of the decision announced by Lord Widgery, Lord Chief Justice, APEX should withdraw its pickets and Mr. George Ward, managing director of Grunwick, should show that he accepted the verdict of the court.

"This seems to me to be an honourable settlement for both sides," he said.

Opposition leaders also indicated approval when the Prime Minister, under questioning from Mr. Prior, went further than on any previous occasion in accepting the right not to belong to a trade union.

But he was adamant that this was not the same as insisting on certain conditions, as the Conservative Party had insisted in the past, in relation to the election.

As expected, Mr. Albert Booth, Employment Secretary, had earlier announced that the Government will be embarking on a round of consultations with both sides of industry to see whether improvements in the law on picketing can be proposed.

Mr. Booth made it clear that these talks would cover the contentious issue of whether pickets, with or without the aid of the police, should be able to require vehicles entering premises involved in an industrial dispute to stop to enable the strikers' case to be explained to the occupants.

As soon as the Prime Minister was brought into the exchanges, he underlined the need for moderation with an implicit appeal to Labour backbenchers not to use the High Court judgment in a way which would heighten the temperature of the dispute.

But there were some dissenting shouts from the Tory benches when he argued that Mr.

Clash over postal action

BY IVOR OWEN

HOPES OF securing an early end to the Grunwick dispute would be damaged by drafting in other postal workers to fulfil the duties of the men suspended at the Cricklewood sorting office.

Mr. Eric Varley, Industry Secretary, maintained in the Commons last night.

He had been pressed to take a tough line by Sir Keith Joseph, Conservative industry spokesman, who highlighted the statutory duty of the Post Office to deliver mail.

There were cheers from the Opposition benches when Sir Keith asked why the Cricklewood sorting office could not be kept open and other postal workers instructed to handle the mail for the NW3 area, which includes the Grunwick plant.

Alternatively, he said, if the Post Office was unwilling to carry out its statutory duty, would the Government remove its statutory monopoly?

Mr. Varley bluntly replied that because the firm had arranged

This brought Mr. Callaghan's feel, therefore, that there is a blemish on the law and that a change should be made?" he asked.

Still in conciliatory vein, Mr. Callaghan replied that any blemishes on the law should be examined in a dispassionate way.

The Prime Minister acknowledged Mr. Ward's legal rights, but said: "I hope he will consider the consequences of such an appeal."

APEX, which had already said that it did not wish to see more mass picketing and was content to have picketing limited to the gates of the Grunwick factory, should also reconsider its position.

While expressing agreement with the tenor of the Prime Minister's remarks, Mr. Prior commented that there were many people, not confined to the ranks of Conservative MPs, who believed there were a large number of conditions where the right not to belong to a union was as important as the right to belong to a union—"which we, of course, accept."

"I think the Conservative Party attitude now on the closed shop has been consulting with those who have been consulted to accept the verdict so that this Government, and that in an imminent dispute, magnified out of proportion, can be put into the background."

When Mr. Laurie Pavitt (Lab., Brent S.), whose constituency includes the Grunwick plant, came under attack from the stood more legal quibbles, the Prime Minister reminded him that they were deep-seated feelings on both sides to be about to turn down, people could be talking about claims of around 20 per cent.

Mr. Callaghan told the Commons yesterday.

With MP's pressing for further information on the next phase of the Government's pay policy—due to be disclosed later this week—the Prime Minister made an earnest appeal to the unions not to try to regain ground lost in pay deals last year under Phase Two of the policy.

It would be a "vain attempt," he insisted, for this reason:

"The result would be that the Government could not, in those circumstances, maintain its belief and firm intention to secure a return to a level of inflation no greater than that of our competitors. I think it would be tragic if we were to throw that away."

The issue was raised when Tory MP's when Mr. Varley commented that the way in which Grunwick mail was being distributed to different parts of the country for despatch could be regarded as a provocative act.

But he repeated that the Government was doing everything possible to bring about a peaceful solution of the dispute and to make sure that mail was delivered in accordance with statutory obligations.

Sir Keith Joseph demanded: "Are you associating yourself with the view that for a firm to use illegal rights to post letters in order to provoke?"

Mr. Tom Jackson, general secretary of the UPW, was doing his utmost to bring about a resumption of normal postal services, the Secretary of State declared.

Mr. Maurice Macmillan (C. Farnham), recalled the Prime Minister's appeal to Grunwick to accept the judgment of the High Court. He asked why the Post Office should not also be asked to obey the law and to continue to do its duty.

Mr. Varley replied that the action of the Post Office so far in carrying out their statutory duties had been "exemplary."

Mr. John Gorst (C. Hendon N.) claimed that the action of the Post Office workers at Cricklewood had become irrelevant to the Grunwick dispute because the firm had arranged

for 100,000 items to be posted in different parts of the country as far apart as Truro and East Anglia.

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Wednesday July 13 1977

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Medium and Long-Term Finance

Company profits are now recovering strongly but real returns are still low by previous standards. Industry's demand for bank loans is beginning to pick up but still rather slowly. Some concern exists in the City about implications for monetary guidelines if there is a major demand for loans to finance sustained recovery in investment and stockbuilding.

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MEDIUM AND LONG TERM FINANCE II

Demand still slow to revive

A MAJOR recovery in the development of North Sea oil profits of industrial and commercial companies is now under way, yet real returns still remain low by historic standards and the underlying financial position of the company sector has not improved at all so far.

This in turn has raised questions about what will happen both to the financial position of companies and to the overall monetary guidelines when, and if, the economic recovery gathers momentum and the demand for finance increases. Many of the issues are also relevant to the current debate about both the level of profits and the provision of medium and long-term finance for industry—now under investigation by the Wilson Committee.

The starting point is the recovery in the gross trading profits of industrial and commercial companies of 26 per cent. last year. But even when the impact of inflation on the value of stocks is taken into account, there was a rise of 23 per cent., and the recovery has continued so far in 1977.

Gross trading profits of all companies, net of stock appreciation, rose by 7.7 per cent. between the last three months of 1976 and the first quarter of 1977. This represents a 30.8 per cent. rise above the corresponding period of 1976. The share of all companies' profits in total domestic income (both net of stock appreciation) has risen from 6.2 per cent. to 8.1 per cent. in the past two years.

A large part of this improvement results from a decline in the amount required from stock appreciation, especially in recent months, as well as from profits from North Sea oil operations. North Sea activities are now becoming an important influence on profits and the recent Bank of England Quarterly Bulletin estimated that about a fifth of the rise of just over a quarter in industrial and commercial companies' profits last year was attributable to a relatively small number of companies with interests in the age new investment. Without an increase from £400m. in 1976 must at some stage focus on

In addition, profits from exporting have increased during the past year as companies have reacted to the fall in the pound by maintaining their prices in terms of foreign currencies, thus boosting margins. When both this and North Sea oil have been taken into account, a more depressed picture of profits from domestic activities is apparent.

Moreover, when capital consumption and the rapid rise in the written down value of companies' assets (at current prices) is also taken into account, the improvement in profits did no more than maintain the average rate of return, which has been depressed for several years.

Although the share of net profits in net domestic income improved during the course of last year—to around 5 per cent. by the fourth quarter, for the year as a whole the share was about 4.5 per cent., only slightly higher than the low of 4.2 per cent. in 1975. This is only about a third as large as in the mid-1980s with most of the corresponding rise elsewhere being pre-tax income from employment.

Pessimistic

The Bank of England has taken a pessimistic view both of the likely improvement in profitability in the immediate future and of the implications of a continuing low level of real returns for future investment and economic growth. The recent Quarterly Bulletin argued that while the profitability of U.K. industry should improve when faster economic expansion again proves possible, the cyclical rebound may be less pronounced than might normally be expected.

On this view, continued low profitability could seriously damage longer-run prospects, project a £2.4bn. or 20 per cent. AS TEE politically charged debate proceeds as to why the has been low in recent years, including North Sea oil of industrial borrowers of medium and long-term finance are asking for so little or why the the continuation of low rates of return, perhaps combined with a relatively high cost of capital could seriously discourage oil profits are projected to lending so little, the spot-light on

early move to higher profits, to £1.9bn. this year and to £3.3bn. in 1978.

This view, which is not surprisingly shared by the CBI, is regarded as too pessimistic by some commentators. They argue that the Bank exaggerated the recent squeeze on profitability and has also underestimated the extent of the recovery.

The other, more important, argument is about whether current returns are necessarily as low as the Bank suggests. On this view, real rates of return have been falling in all the this year, rising to £1.6bn. in main industrialised countries 1978. This follows a published forecast by Phillips and Drew.

—even though the U.K. may be rather just in this cycle year, which was much worse—most analysts had been projecting.

In 1977, most of the projected £1.8bn. improvement in the financial position of industrial and commercial companies will come from the North Sea—around £1.5bn. net according to Phillips and Drew—with only a small turnaround from non-oil activities. The first quarter deficit of £528m. mainly reflects a sharp increase in the amount required to finance the rise in the level of physical stocks, some of which was involuntary

With income from abroad also rising sharply, the brokers estimate that total income will increase by £4.4bn. this year.

They believe that this increase should more than offset a £500m. rise in profits (mainly North Sea) a £1.3bn. rise in spending on fixed investment and a £700m. turnaround on physical stocks, especially as the amount required for stock appreciation should be about £500m. lower.

Accordingly, the brokers estimate that industrial and

commercial companies will have a financial surplus of £1.1bn. as a result of the change in the rules on the financing of third country trade in sterling announced last November.

Companies are expected to continue to raise sizeable amounts on the stock market, mainly via right issues, though this year possibly a slightly lower amount than in 1976. However, much of this money may be swallowed up in acquisitions.

INDUSTRIAL AND COMMERCIAL COMPANIES PROFITS

(£m. current prices: seasonally adjusted)

	Gross trading profits	Stock appreciation	Capital consumption
1974	11,200	4,910	3,140
1975	11,740	4,110	4,180
1976	14,810	5,400	5,170
1976 1st quarter	2,560	1,270	950
2nd quarter	2,820	930	1,020
3rd quarter	2,510	910	1,080
4th quarter	3,150	940	1,140
1976 1st quarter	3,400	1,090	1,210
2nd quarter	3,510	1,300	1,270
3rd quarter	3,710	1,410	1,330
4th quarter	4,180	1,590	1,370

Source: Bank of England Q3.

Concern

out public quotations, which

are unable to raise equity of these issues make the unwillingness of

to commit themselves to nominal interest rates years or more. This

so far suggests that rather more inhibiting factors about the f of inflation and fut than by specific constraints.

Peter Economics Co

The institutions and their investment strategy

Williams & Glyn's believes that growth should solve problems not cause them

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In their evidence to the Wilson Committee the clearing banks noted that "the finance most suitable for transformation into long-term funds is primarily that held by life assurance companies and pension funds."

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Growing arm of the banks

WED suggestion by total is the rapid expansion of clearing banks that term lending in currencies other than sterling, mainly U.S. dollars. This has been made possible by the availability of funds through the markets in London without the danger of placing on the controls and at interest rates subject was raised which have generally been lower than the cost of sterling. For these reasons, this type of Total financing has proved attractive, though the possible dangers of Total lending to industry and trade

highlighted the such finances are used for Percentage of contractual lending to total lending

extents to which domestic purposes have been underscored by the effects of Special export finance schemes

activities from the last year's drop in the value of field of providing sterling.

Source: Bank of England and the need for using their support

Question

In of medium-term clearing bank reached the point year this type of presented rather over of the total amount lending to industry and the special export taxes are included—technically classified to overseas resolve an element of subsidy—the pro-

to over 47 per cent. In the past a good part of overdraft lending, normally re-

change in the payable on demand and there- the banks' business, fore intended to be suitable for

mainly taken place basically short-term financing.

Switching this hard core into a closer interest in the financial

ential element in the medium-term loans has been one character and prospects of the

	TERM LENDING (£bn.)			
	November U.K. residents	1973	1974	1975
Sterling contractual loans including shipbuilding finance	1.7	2.0	2.7	3.2
Currency contractual loans	0.9	1.5	2.2	2.9
Total	1.6	3.5	4.9	6.2
Percentage of contractual lending to total lending	9.9	12.9	13.4	15.3
26.8% 27.5% 36.7% 40.4%				
Special export finance schemes	1.3	1.6	1.8	2.0

Source: Committee of London Clearing Banks.

finance projects normally for up to 5 or 7 years and sometimes is possible without giving rise to concern on prudential grounds."

Loans of this kind are provided on flexible repayment terms, which can be adjusted to suit the needs of the borrower and often include a moratorium in the earlier stages of the agreement where the project being financed has a development phase during which it will not produce income. Rates can be linked either to the London interbank rate or to the bank's own base rate, usually adjusted at 6-month intervals, or less commonly the banks may provide a fixed rate loan.

The extension of term lending services has taken place in

a period when the demand for finance by industry has generally been stagnant. In recent months the banks have again reported an underlying increase in the level of advances, and last month for the first time recently there were signs that they were beginning to include manufacturing industry. But the level of utilisation of overdraft funds remains unusually low; and the banks have lately been more inclined than ever to encourage the growth of term loans, with an apparent willingness at present to go up to ten years.

At the same time, however, the banks are starting to show signs of concern about how much further they can move in the direction of longer term credit. To some extent, the structure of the long-term loan business itself is helpful to the banks. As was pointed out in the Wilson Committee submission, "the annual repayments on the present portfolio of loans will be at a substantial level, thus providing a continuing contribution towards the generalities."

However, the banks are still quite keen to promote the idea. In their Wilson evidence, they revived the suggestion, arguing that the Committee might think immediate difficulties in sustaining the level of their term lending. But they feel that at some stage a limit must be set on the proportion of medium-term lending that can support medium-term lending to be available to individual short-term resources for short periods."

Michael Blanden

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MENT which has situation and, perhaps, concluding that there must be something fairly fundamentally amiss investment has now new forum.—Sir

on which allows it to arise.

contrast, the City's own view is rather that the fault lies in inadequate profitability of companies' operations, and so lack of attraction in new investment projects, as a result of the nation's economic predicament and Government policies.

In the longer run, clearly a major point for the committee will be whether companies should be offered further inducements to invest, and if so whether they should be given the stick or carrot variety—tax or other penalties for those with inadequate capital projects or sweeteners for those undertaking expansion.

The committee has also begun taking oral evidence from some of the most important witnesses, beginning with Treasury representatives at a confidential session on June 28 last.

less, despite the of its own role in putting up, being considered

time remains very investment by companies in long below that lending industrial all 4 per cent in of a rise has been steadily run nearly 20 per 6-10 per cent, recent estimate, as an actual fall days in the first

years of the Wilson Industrial and Commercial Finance Corporation (ICFC)—

interim report with over £200m invested in

is unsatisfactory some 2,200 companies — and

normal arrangements.

Meanwhile, two of the bodies backed by the main investing institutions are emphasising their provision of a more specialist back-up to the regular flow of finance for industry, and have lately both been explaining their services to the committee and reporting to their own shareholders. They are Finance for Industry (FFI) and Equity Capital for Industry (ECI).

Finance for Industry (owned by the clearing banks and the Bank of England) embraces

Industrial and Commercial Finance Corporation (ICFC)—

and probably like

interim report with over £200m invested in

is unsatisfactory some 2,200 companies — and

normal arrangements.

Continued from previous page

economic pricing instructed (and expects) to really necessary or achieve what is needed sector, for achieve as its financial target for they are expected to achieve.

suit in the vir-

the three years to 1978-79 a real

rate of return of 6 per cent. no

other transport less.

also enabled the restoration of hole to aim at profitability in the nationalised industry relationship.

st 51 per cent of sector is an essential first step

ments from its towards establishing a more

this year, as satisfactory government/nation-

cent in 1978-77. The need for improvement in

the Post Office, clear by the report of the Dock Board, Melatoshi Committee last year.

self-financing this

Likewise there is also some

thing to be said for the attempt

drive for profit to adopt a more selective

approach to the provision of

State aids to industry.

ie curmudgeonly

ll too often dis-

ed restoration of

he private sector.

Commission has come by most businessmen

warning shots but selective schemes ought in

of the State sec-

effective. Certainly there was

sufficiently well

much evidence to suggest that

REP was the least cost-effective

fore it was in of the instruments used to pro-

ce it prices by 10 more regional policy.

last April (in

But one cannot help but won-

the price code). der whether the sums now being

Office telecom- spent on cash incentives—some

business has been £1.2bn. this year alone — are

to govern the provision of selec-

tive assistance after the dis-

asters of the workers' co-opera-

tive experiments in 1974 and

1975.

But the greatest need, one

would have thought, would be a

series of studies of the results of

past interventions with a view to

establishing whether the objec-

tives were achieved and, if not,

why not, so as to illuminate the

formulation of future policy.

After all, governments like

everyone else have a learning

curve.

Colin Jones

Margaret Reid

BMI

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MEDIUM AND LONG TERM FINANCE IV

Finance houses active

NOWADAYS about half of the new instalment credit granted by finance houses is to corporate bodies, and in spite of the difficulties experienced recently in the wake of the secondary banking crisis the industry is a major and growing source of funds for industry.

This represents a considerable change from the pattern of finance house lending in the years after the war. In the 1950s most finance houses were primarily concerned with the provision of instalment credit financed mainly on the hire purchase contract to consumers. Their interests included particularly motor car hire purchase and credit sales for domestic goods.

Even at that stage, many companies had begun to develop industrial financing techniques particularly for commercial and agricultural vehicles but also for other specific items of plant and equipment. The provision of finance for ordinary working capital purposes was rare at that time, except in the special case of motor dealers where arrangements such as loans to support their stocks were made.

The most significant development of recent years, therefore, has been the extension of the activities of the finance houses into the industrial and commercial sectors. Their growth was encouraged by a number of factors, including the move by the big clearing banks into the important sector of the medium- and long-term capital market.

In the late 1950s and the subsequent development of increasing competition for this type of extremely low ebb among business, and later the greatly increased availability of funds during the rapid expansion of the money markets up to 1973.

More recently the flow of funds through the money markets was interrupted by the fringe bank crisis, causing serious funding problems for some finance houses and particularly those which did not have the backing of a big bank. But in its recently published evidence to the Wilson Committee the Finance Houses Association argued that these problems have now largely been overcome, and the finance houses remain a major group of institutions with the primary function of providing medium-term facilities to both industry and consumers.

In its Wilson submission, the FHA commented that many industrial and commercial companies, including at least 60 of the top 100, used the services of finance houses, and outlined

the attractions which prompted companies to take advantage of the facilities available. The main reason was that "the facilities offered by finance houses are certain." Generally, the Association commented, "it is possible to obtain fixed-rate finance for a fixed period from a finance house."

Other advantages included the use of standard documentation, the absence of legal fees, and "the fact that by taking the security in the equipment financed, the buyer's existing credit lines are disturbed less than if there were a charge over his assets (which other lenders might demand)."

An important advantage of instalment credit finance lies in the willingness of the finance houses to offer flexible repayment terms to suit the needs and cash flow patterns of individual customers. They may enable the borrower to pay on a seasonal basis if, for example, a farmer requires finance for equipment

which will be used intensively and while others including the banks have moved actively into the past by changes in the tax system; but one factor in its undertakings 30 per cent of the growth has been the value of total of finance leasing last year.

The main difference between instalment credit and leasing, which are effective alternatives for the finance of purchases of most types of fixed asset, lies in their tax implications. Under a hire purchase loan, the borrower finally owns the equipment being financed; and for tax purposes is treated as the owner from the start of the agreement. Under a leasing contract, though this may include an option to purchase at the end of the agreement, the equipment is owned by the lessor.

The consequence is that hire purchase will often be attractive when the borrower has sufficient taxable profits to take advantage of the capital allowances given on investment in new plant and equipment.

Leasing

A major development has also been the provision of leasing services, and to a lesser extent factoring, as alternative forms of finance. The finance houses were the first institutions, they pointed out, to offer a piece of new machinery begins to produce revenue.

The leasing business, however, has grown independently of the tax incentives involved, which is in this case also the case of the Equipment Leasing Association, recently founded, have been changed at least 50 times in the past 17 years of the industry's expansion. Leasing, he insisted, would continue to grow "because the concept depends upon the lessors' ownership, not on any tax incentives in themselves." Members of the ELA accounted for 8 per cent of all purchases of interest rates in recent months. Leasing is base rate indicator of market interbank rates to calculate variances to customers.

Sources of venture capital

BECAUSE OF the recession often there is a failure even to agree on exactly what venture capital is. What it certainly is not is capital which is used to start off a totally new venture. That is start-up or "seed" capital, the demand for which is around zero among many venture capitalists and at the by the clearing banks through overdraft facilities.

Venture capital is essentially medium to long-term money which is used to develop a company beyond its initial phase. This can be a far more crucial phase than the outset, simply because the company will be seeking to expand itself into something which will require more defined controls, policies, areas of operation and physical resources. It is also at this stage that the effects of competition or any deficiencies in management may manifest themselves, so the risk attached to providing venture capital are obvious.

The main sources of venture capital are institutional, but there also exist many individuals and small, successful entrepreneurial companies which are prepared to put money into promising situations. An example of this latter type is a small electrical contracting firm in the North whose owner wanted to spread into new

pastures, but separately from his existing business. He therefore set up a separate company which owns a large warehouse space in his warehouse, basically giving them a year to prove themselves.

Start-up

Among the few venture capitalists prepared to invest start-up or "seed" capital is the National Research Development Corporation (NRDC), the Government-sponsored organisation set up originally to exploit patents which emanated from Government departments and which principally aims to put money into technological projects. Another is the Industrial and Commercial Finance Corporation (ICFC), which invests in a broad range of activity, and its subsidiary, Technical Development Capital (TDC), which puts cash into situations based on advanced technology.

Apart from the NRDC and TDC there is also very little interest among institutional venture capitalists to invest in high technology situations. Generally all others in the field will want to put their funds into the capitalists will want a medium to low technology fields stake, and sometimes or into some general form of sizeable one. For example, it has potential in a particular analogy, high risk investments.

TDC will insist upon a 40 per cent equity stake, which is no particular technology is largely interested in ventures ceded will usually need £100,000 or more between 20 to 25 per cent (although it will consider as the action. Generally, those small an investment as £50,000) have some reasonable idea and already earning pre-tax profits of at least £50,000. This company, the oldest venture capitalist in the U.K., has not been relatively quiet for some time, merely servicing existing investments, but has more recently been active in seeking new ventures.

Another company is Gresham Trust, which will consider quite small investments — around £20,000 to £50,000 — although it prefers to put up larger sums.

Another merchant bank venture capitalist is the Hamburg Bank, which operates in a rather unusual fashion, in that it organizes and manages investments rather than putting up cash itself. The money comes from a syndicate of pension funds.

Yet another unusual type of venture capitalist is the Small Business Capital Fund, which invests money put up by the Co-operative Insurance Society, and which is managed by industrialists rather than bankers.

One of the difficulties which venture capitalists always have to face is that their potential customers will often be entrepreneurs who are rather averse to maintaining any great interest in business unless another emerges.

Nicholas L...

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Barry Riley

The Management Page

EDITED BY CHRISTOPHER LORENZ

accounting has been thrown back into the ring with a vengeance. The leading group's current cost accounting proposals contained in exposure draft by ballot a week ago at a meeting of English chartered accountants, will replace them remains very open, at least until the Accounting Committee (ASC), the top rate on accounting matters, meets again at the end of the month.

When the Government-appointed Sandlands Committee reported in September 1975, it envisaged that CCA should be introduced in standard form before the early 1980s. In the meantime few would dispute the fact that conventional historic cost accounts continue to give a very misleading view of companies' results.

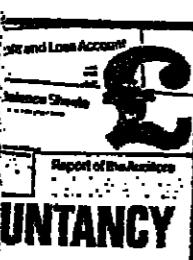
ED 18 was too complicated. It proposed a revolutionary change when evolution was called for, the whole system lacked a concept of purpose because of its failure adequately to deal with monetary items, directors were allowed too much discretion to manipulate results, some aspects appeared to be undesirable, and the timetable for implementation was inappropriate. While ED 18 sought to be comprehensive, simpler, less ambitious proposals concentrating

on the three essential aspects of current cost accounting—fixed assets, stocks and monetary items—might not have proved so difficult to digest. This view is held, in particular, by the London District Society of the English Institute of Chartered Accountants. To prove its point it has already produced an alternative exposure draft, notable not only for its simplicity, but also because it claimed to have found a practical method of accounting for

monetary assets and liabilities—probably the greatest cause of intellectual controversy in the whole debate.

Prof. Walter Reid of the London Business School is a prominent member of the London group and was also a member of the Sandlands Committee. He argues below that a practical method of CCA is now within our grasp.

MICHAEL LAFFERTY



OF the past two years, the highlighted the real inflation account. During the period, agent opinions have used. On the one hand, Accounting Standards has reaffirmed its general, and some reflects a reaction against simple current cost accounting standards in (CCA) standard along the lines of a generally accepted standard of current cost which is urgently needed on the other, the Institute of Accountants in accounting has almost reached a consensus on a new standard which was users' needs and practicable to implement and extended alternative systems. Neither detailed proposals of the Sandlands Committee, contained in ED 18, which have been widely criticised as far too quickly and too great a measure of attention to directors in the figures to be used. Sandlands proposals are most appropriate in a wide ranging of the needs of users of preparers of and were broadly accurate to be sought. Government, business, and many accountants, struck between objectivity and relevance, and the level of cost incurred in being given to which it is reasonable to incur in preparing accounts.

items—loans, creditors, debtors. To many involved in the extensive discussions which have taken place, the need for a revised approach to accounting has been convincingly established. While recognising that support for the anti-current further issues remain to be resolved they are confident that specific criticism of the committee's proposal has been well founded. Some of it made to support the issue of a plausibility of ED 18. Some of it represents a reaction against simple current cost accounting standards in (CCA) standard along the lines of a generally accepted standard of current cost which is urgently needed on the other, the Institute of Accountants in accounting has almost reached a consensus on a new standard which was users' needs and practicable to implement and extended alternative systems. Neither detailed proposals of the Sandlands Committee, contained in ED 18, which have been widely criticised as far too quickly and too great a measure of attention to directors in the figures to be used. Sandlands proposals are most appropriate in a wide ranging of the needs of users of preparers of and were broadly accurate to be sought. Government, business, and many accountants, struck between objectivity and relevance, and the level of cost incurred in being given to which it is reasonable to incur in preparing accounts.

Objectivity

Discussions about inflation accounting have drawn attention to the need to clarify, and if necessary redetermine, capital and profit concepts which are most appropriate in inflationary times. It has also come clear that decisions must be made about the degree of accounts the profit will be shown as £5,000 (£15,000 - £10,000) and the trading margin as 50 per cent on cost. But what do these numbers mean? The actual value of the economic resources consumed at the time of sale was £12,000. (The current cost of the paint) not the £10,000 historical cost and the trading margin achieved on this basis was 25 per cent, not 50 per cent. Moreover, if the amount shown as "profit" is regarded as free for distribution after paying tax—so as to leave the business as well off as it was at the beginning of the year—this will only be true in terms of the £10,000 money capital. In terms of operating assets, however (the going-concern paint business), the capital will have suffered a one-sixth reduction.

Whatever the merits of his historical cost accounting for measuring isolated transactions, it does not provide relevant information for the going concern business. If the owner believes that the results disclosed represent his currently achievable margins and distributable profit, he is being misled. The ex-

ample illustrates the importance of introducing revised accounting systems for small as well as large businesses.

What is required is an ac-

cording system which reflects the specific price changes which have affected the business. This is the CCA approach recommended by the Sandlands Committee.

Current cost accounting: If current cost adjustments are made in the paint company's accounts, the cost of sales becomes £12,000, the margin disclosed become the current 25 per cent on cost and the increase of £2,000 over historical cost in the value of the stock which had been held by the business is shown as a revaluation reserve in the balance sheet. It represents the additional money amount needed to finance the same quantity of trading assets. Profit is calculated after deducting this amount which will ensure that the business maintains its capital measured in terms of the acquisition cost of its operating assets.

Had the company held fixed assets, these would also have been revalued to their current value, with revaluation reserves appearing in the balance sheet. To the extent that such assets were consumed in earning revenue, depreciation would have been based on current value, not historical cost.

The Government accepted the logic of the cost-of sales adjust-

ment and by allowing a taxable deduction in relation to the this approach has been widely realised stock revaluation arrived at satisfactory solutions in stock they avoid taxing the clearly defined "bottom line" sheet. Where such reserves this is done simply by retaining the distributable profit, calculated according to specific rules, has increased in the year they will automatically reduce the cases the "difficult" assets, including old assets and those further debatable as whether a single "bottom line" further reduced they must make retentions.

In the case of the paint com-

pany, if we now assume that its

capital is made up of £5,000 of

equity and £5,000 of overdrafts,

and we wish to determine the

profit attributable to the equity after taking into account the funds provided by the over-

draft, the profit and loss

account should show two fur-

ther adjustments. The current

cost operating profit remains

unchanged at £2,000. This is

the trading profit of the entity

which is unaffected by the

method of financing. Below this

figure we must then deduct inter-

est, say £400, and add back an

amount of £1,000 which rep-

resents the part of the cost of

sales adjustment which relates

to stock financed by the over-

draft (50 per cent x £2,000).

The resulting figure of £3,600 is

the profit of the year attribut-

able to the equity interest

which is the single "bottom line"

which is sought.

(a) **monetary liabilities.** The

paint company in the example

financed all its activities with

equity capital, and to maintain

its operations it would have to

retain the whole of the £2,000

revaluation reserve. The ques-

tion raised in dealing with mon-

etary liabilities is—would the

distributable profit have been

different had the company

financed part of its operations

with an overdraft or creditors?

Would any part of the evalua-

tion reserves have become

distributable?

The Sandlands answer was

that the method of financing

should not affect calculation of

the current cost operating prof-

it. But the committee stated

that if directors, after prepar-

ing a cash forecast, felt that

some holding gains could be re-

leased, they should make a re-

transfer to the profit and loss

account before arriving at the

profit of the year. The commit-

tee did not propose any specific

method for calculating the extra

depreciation would have to be

developed over a period of time.

However, if a clear statement

of principle is made, namely primary concern, the account-

tee did not propose any specific

method for calculating the extra

depreciation would have to be

developed over a period of time.

Since the adjustment relates

to the current cost deductions

in the profit and loss account, there is no reason to doubt that implemented as soon as

no credit will be taken for any company accountants, auditors possible.



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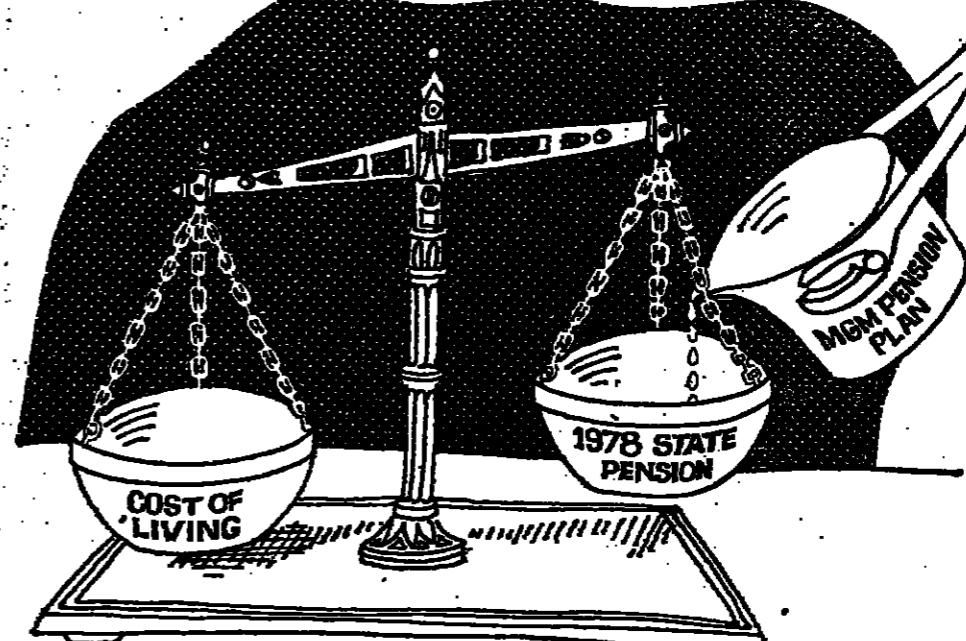
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WEDNESDAY, JULY 13, 1977

Spain's good intentions

THE NEWLY elected Government of Sr. Adolfo Suárez has announced a courageous attempt to tackle Spain's pressing economic and social problems. With unemployment at six per cent, inflation threatening to reach 30 per cent by the end of the year and the balance of payments deficit soaring, it has long been clear that the new Government would have to act quickly and decisively on the economic front as soon as last month's elections were safely over. But Sr. Suárez has also chosen to reach beyond the immediate economic crisis and confront the country's rich, powerful and conservative classes with tax reform plans that could lead to a major redistribution of the nation's wealth.

Devaluation

For the moment, the Government's statement remains largely one of good intentions. Apart from the devaluation of the peseta, few concrete measures have been announced, and if Sr. Suárez's general aims are now clear, the precise ways in which he plans to achieve them are not. Nevertheless, the first outline of the Government's plans looks fairly well in line with the OECD's recommendations on the Spanish economy, coincidentally also published yesterday. Depreciation of the peseta, tax reforms, restriction of the money supply and liberalisation of interest rates all figure both in the OECD report and in the Government's statement.

A peseta devaluation soon after the election had been widely expected. Indeed the expectation may itself have forced the Government to act rather more quickly than it would have liked, as there were good arguments for waiting a little longer. Foreign currency receipts from tourism, now entering its peak season, would very probably have been higher if the peseta's value could have been maintained until the autumn. Equally, with Spanish industry approaching its annual shutdown period for the holidays, the impact of cheaper prices on exports is likely to be delayed until September or October. problem too.

Credentials

It is far too early to tell whether Sr. Suárez's immediate programme will succeed, still less whether he will manage to restructure Spanish industry to the point where it can compete effectively inside the Common Market. Yesterday's statement confirmed that an entry application will soon be lodged in Brussels. Now that Spain has the political qualifications for membership the pace of the country's integration into Western Europe will depend heavily on its success in establishing economic credentials. Sr. Suárez chose quite deliberately to tackle the political problem first. But continuing political stability will only be fully assured once he has solved the economic

problem. The political situation in Spain is extremely difficult branch of the law. Whether these consultations will have much practical effect is open to doubt. Mr. Booth's statement, like the Prime Minister's subsequent plea to both sides in the Grunwick dispute to "draw back" so that yesterday's High Court verdict on one of the matters at issue could be accepted, was essentially part of a concerted effort to calm everyone down following the disturbing scenes at the mass picket in Willesden, North London, on Monday.

Persuasion

From the Government's point of view, keeping the peace is of paramount importance (and from the Labour Party's point of view getting this issue out of the way as quickly as possible is formally to the police would be of at least equal importance), an additional political burden that Mr. Callaghan should have shoulder. taken the curious step of appearing to ask one step of **Informal**. Informal arrangements are already made by some local police forces, in some cases, to appeal against the verdict, which upheld a decision by the Advisory, Conciliation and Arbitration Service that his company should recognise him as a legal dispute. Mr. George Ward, chairman of Grunwick, to relinquish his legal right to pursue the exercise of their discretion. The difficulties of a new legal formulation have proved insuperable in the past; if there is to be an improvement in what happens in practice it might have to be the result of an evolution of a voluntary code whereby numbers were restricted in return for a local agreement to ask drivers through factory gates in buses for how long.

In spite of this background, Mr. Booth's call should be taken seriously. At present pickets enjoy a right of peaceful persuasion, but they are frustrated when the people whom they wish to persuade are driven away from the factory gates in buses for how long.

The Financial Times Wednesday July 13 1977

David Wainman interviews the Labour, Tory and Liberal taxation spokesmen and finds some surprise

Overlap of party opinions on tax reform

HOW SATISFACTORY is our present system of personal taxation? If there are shortcomings, what changes would you like to see? Discussion of these questions with the three Members of Parliament who speak for Labour, Liberals and Conservatives on taxation matters, perhaps surprisingly, produced a fair overlap of opinions.

Taxation policy in a medium to long term context is often difficult to discern. Budget changes tend to be proposed chiefly for purposes of short term management of the economy: opposition appears frequently to be grounded in the belief that promising tax reductions conventionally seen as a siren song certain to attract voters. But voters are becoming more discriminating; they prefer politicians to have policies rather than songs.

Mr. Joel Barnett is Chief Secretary to the Treasury. One of the major functions of that office is control of government expenditure estimates and outcome, but he has not allowed this to interfere with his active interest in tax.

The main defect of personal taxes according to Mr. Barnett lies not in their structure, but in their profile. The curve is too steep at both the bottom and the top. At bottom, a man crossing the tax threshold finds his marginal tax rate leaps from zero to 33 per cent—much too violent a first step in the dance. At the top of the scale, the rates are simply too high. Altering the profile will not make taxes simpler. The particular alterations or permutations, to achieve Mr. Barnett's objective for those at the threshold of tax, would almost certainly mean a reintroduction of reduced rate bands. It would also necessitate alteration of the threshold itself and of the standard and higher rates and their income bands. It is therefore clear that the change must await an occasion when the Chancellor has available a massive amount to give away in personal tax reliefs, although some contribution may be found from what he sees as a further necessary shift from direct to indirect taxation.

Complexity is not a factor which worries Mr. Barnett. He accepts that few taxpayers understand the impact of tax sufficiently well to be able to say what their marginal rate is. Most tend wildly to overstate it. Many, if not most, think of their earnings in terms of take-home pay, regarding tax as something which their employer must look after—and look after in such a way that the pay packet is adequately filled. Mr. Barnett's search for the "fair" profile of tax is altruistic: taper the taxes for the good of those at the bottom end, even though those who profit may not always understand.

This leads to a series of wider questions about taxes. To what and from other revenue sources, extent do high tax rates act as a disincentive? If those rates are recognised as in part redistributive, is the "fairer" society as a shift from direct to indirect taxation—an echo of Mr. Barnett's views on the present motivations, whether the imbalance.

Cuts are not the whole of Conservative tax policy, but they are the most immediate, dramatic and easily stated part of it. The remainder can be summarised by the word "gradualism." When they last were in a position to frame tax legislation, the executive work less hard. They may discourage mobility: they high ideals with which they had may not be tempted to move equipped themselves included

combined effect of child tax enough for me." (He produced to say that no one should family this quotation on the morning away more than half his allowances. We therefore have after two successive all-night in tax. A fine slogan, biding the two integrated in the settings. The preceeding sentence meant to be misconstrued in the reverse direction into is "The night is dark and I am indicating that at some mother's drawing, and out of far from home.") This is unfair. In the existing 75 per cent of the father's tax calculations.

Mr. Howell is keen to sort out what he regards as a particular haphazard nonsense in child benefits, but otherwise he recognises that the relief for the man at the sharp end of exporting as the yield of personal tax, over a period of two years, is exact opposite of Conservative philosophy. Were tax rates not thus put into wage freeze, the additional spending over the life of at least as high as they are, there would be no problem, and no need to hands must justify and state a very much tighter policy. He is the third spokesman who stress gross imbalance in taxation, and in Britain with others. His answer is increase of expenditure VAT is not at present on food, housing and it (except for the non-petrol). They should tedly remain outside and no rise of VAT produce anything app the required alt revenue.

The answer from Mr.

is a massive switch to taxes. He points out disparity between security contributions of many European countries as just as great as the difference between our direct and tax burdens. This is a major cause of distortions whose costs are compared. His yield of personal income would also enable Mr. Pardoe to reduce in number, b same time extend the reliefs from tax. Owners at present get interest relief, while tenants get rent or rate relief, why not have a dil housing credit? Yes, Tax credits, as an early have not been dropped Liberal policy, in split mailing given to the id Revenue-Social Security party. "Those boy problem for every Mr. Pardoe says.)

Lower tax rates on credits would enable move at least part of towards self assessment essential feature of Lib posals for a local inc part of devolution. He to reduce from 44 t means tested. Social benefits.

Three men, three policies: not total a but more than mig been expected, and a consensus behind the best taxes we can the present ones. We too many brand new the past 12 years policies need to be i their proper context, will never comprehend Liberal policies. Mr. Pardoe's shorthand quotation from the hymn Lead Kindly Light, "I do not ask to see the distant scene; one step his tax cutting proposals was its stated goals.



The three MPs in question: Mr. Joel Barnett (Chief Secretary to the Treasury), Mr. David Howell and Mr. John Pardoe (Conservative and Liberal spokesmen respectively).

from the comfort of the South East to Liverpool for an extra £2,000 per annum. High taxes may also act to some degree as a disincentive to the successful entrepreneur, or professional man. The extent of demotivation arising from high tax rates is however, vastly exaggerated.

Mr. David Howell for the Conservative Party, does not see of a Green Paper in October with devastating effect if the so wonderful about employees Revenue has exacted a lower who export, compared with the penalty or stopped short of dis self-employed who get nothing?

Mr. David Howell for the Conservative Party, does not see of a Green Paper in October with devastating effect if the so wonderful about employees Revenue has exacted a lower who export, compared with the penalty or stopped short of dis self-employed who get nothing?

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Where penalties or dismedium through which particular individuals should be developed by Mr. (now Sir Arthur) Cockfield. Tax credits, Revenue's difficulty over given incentives; it is the employer's not the Revenue

A bid for economic regeneration

NISH programme of twice during this period did the banks, which have such a controlling directly or indirectly Iberian peninsula as a major perhaps 40 per cent of industry, tourist attraction helped to are not beyond playing the same game. Now the Government says it is taking powers to inspect personal and company bank accounts, a bombshell in the Spanish context. It is also to introduce a Wealth Tax that will cause almost as many squalls as it is firmly imposed. Further unspecified taxes of a similar nature are also apparently in the pipeline. Meanwhile a moratorium for the lodging of income statements for last year has been declared to allow the Government to get its tax collection system geared up for its new role. Tax collection is also to be backed up by fresh legislation to punish those caught trying to evade their taxes including savings banks and re-invested according to official dictate.

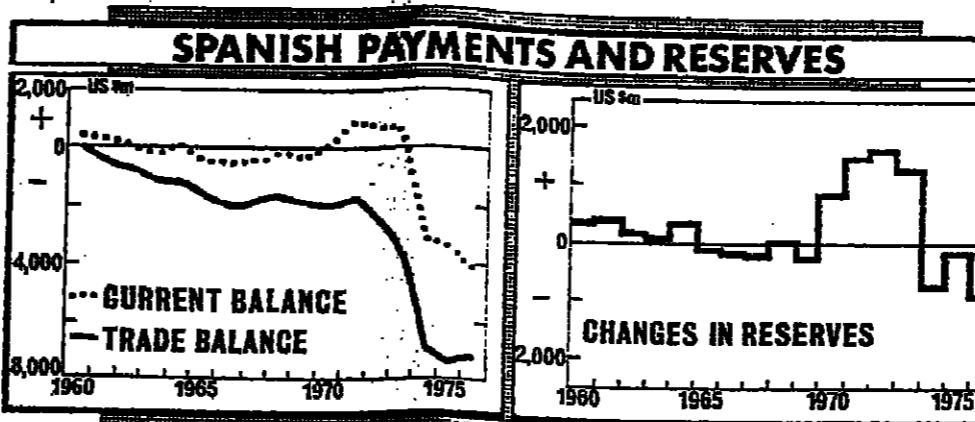
Since 1974, Spain's current account deficit every year has been above \$3bn, topping \$4bn last year, and threatening to reach \$5bn in 1977. Inflation climbed almost as steeply. In the first four months of this year it has been running at an annual rate of 27 per cent, well over double that of the country's main trading partners. For political reasons, neither the final administration of General Franco nor the first two Governments of King Juan Carlos felt capable of coming to grips with the immediate problem, let alone of tackling the profound structural problems that would have to be solved if a lasting recovery was to be achieved.

That is what the Government is now proposing. Although its programme has so far only been sketched, it is clear that it prosecutes those intermediary organisations which assist in for industry based on productivity and profitability, while simultaneously switching the quite clear, but the potential burden of taxation towards the victims probably know only too well. The Government, however, will have to tread warily because an important number of companies rely on the non-payment of taxes to finance future investment programmes.

A key element is that of fiscal reform. Tax evasion is a create a flood of company failures. At the same time there are two other proposals which will have an important effect on profitable commercial activities already come with the announcement of an increase in the coming months to perhaps

TAX Evasion

Since the 1973 oil crisis, many people expected that the Spanish model is no longer viable. In nearly 15 years, at the end of the 1950s, through a period of growth, based heavily on foreign investment and cheap credit. Only books. The major commercial banking and industry.



The Government plans to close the so-called "privileged circuits" whereby a percentage of deposits are creamed off to operate full banking services in Spain for the first time since the civil war, then the anger of the more conservative of the domestic banks will mount even more.

Ironically the issue for many companies at the moment is how they can get round the still restrictive labour laws to shed surplus workers. The state is proposing to play a greater role in financing the social security budget which might result in lower contributions from employers. There is also to be a new credit body specifically to help smaller and medium sized companies that have hitherto tended to provide the country with the cheap credit needed to lift it out of the post-war depression. To-day the device more often pops up large and inefficient organisations that have close links with the regime, rather than aiding the smaller and more dynamic companies.

Second, the Government wants to free interest rates. At the moment only loans or deposits for periods of over two years are free from official control, and a furious debate has been going on within banking circles during the past year on the advisability of making any change. The innovation could produce greater competition, in

time such a provision has traditionally been one increases. Early efforts to try and placate the unions have already come with the announcement of an increase in the coming months to perhaps

18 per cent, but with the Parliament when it assembles Government keeping a careful eye on the effects of this policy. Senator Felipe Gonzalez, the leader of the Socialist opposition, said rather wryly last night he had rather recklessly allowed the Government's plans that the "music sounded good," adding that the cabinet had adopted a large number of the policies espoused by the Socialists during the election campaign.

However, as always, there is a substantial gulf to be bridged between intention and achievement. The Government's proposals, although radical in the Spanish context of the past 40 years, still leave a large number of questions unanswered and there is still no real indication of how the balance of payments is to be brought back to anything like equilibrium, or how prices are to be brought under control. Unfortunately democracy has been presented to the Spanish people as a panacea for all ills, and they will be expecting swift results.

But the country has been living substantially above its means for the past three years and has to pay a price that will tax the skill of its politicians not only in taking the corrective measures but also in undertaking a profound restructuring of the economy. Unless these two tasks can be handled together, democracy will be one of the first victims. What cannot be denied is the political courage of the Government's statement of economic intent and its apparent willingness to take on the traditionalists in much the same way in which Senator Suarez took them on in the political sphere — and their support within the new routed them.

Necessary risk

Professor Fuentes Quintana,

the Deputy Prime Minister in charge of economic affairs, and his main executive assistant, Senator Fernandez Ordóñez, the Minister of Finance, must presumably have considered that the risk of dealing a really damaging blow to an already very low level of business confidence had to be taken as early as possible in the life of the new Government. They certainly run the danger of the Government promising a slow but steady decline of the rate of "non-co-operation" from some powerful industrial and banking empires which could yet force the authorities to modify their proposals. But the measures are assured of strong political support within the new

Letters to the Editor

Sir contract

Sir, A. W. Samuelson, Unfair Contract — It was described by him in the debate on a revolution in the "contract" I venture to say that the Bill contains no more revolutionary subsequently added to Tuesday of last week Court Stage — the 11th speak — which introduced a novel concept of legal "falsifying test. This provision takes the additional subsection 1. It lays down that a person (which includes a company or a partner) to restrict liability to a specified sum of £10,000. The Court, in deciding whether the liability should be limited, will have to cover himself by the new subsection moved from the Bill, was bidden by Lord who was seeking to protect the position of a professional person who advantage of the company procedure and of some persons negligence (which finds himself liable for insurance and into bankruptcy), as a case of the engineer a bridge which falls losing, running of pounds was given to the greatest respect, I neither Lord Hallidai, nor unposed many professionals as well as very great hard

he understood that part of reasonableness is all or nothing. No half way done. The exemption clause is the plaintiff goes handed. If it is recovered his losses may not be the least many imperfections. A company, an in business on its own partnership, or one member of a partnership to be liable if their inability to once cover. And this even extend (as defaulters on the stage) down to their customers.

Trustee savings banks

From Mr. David Morgan

Sir — Now that the Trustee Savings Banks have joined the "Big League" it is to be hoped they will live up to the decent to lose some of the advantages they seem to have over the clearing banks with whom they are in direct competition.

These are (possibly there are others):

1. A positive advantage with credit interest which has been tax free for the first £25, and which they are not bound to declare to the Inland Revenue under the Taxes Management Act 1970, Section 17.
2. Unusual banking hours. Presently one can look to the National Union of Bank Employees to sort this one out in due course. Staff costs must be higher otherwise.
3. Often a monopoly from large firms with Employee Savings schemes. The large firms in contact with the former Birmingham Municipal Bank (now a fully fished TSB) have always declined to pay Savings deductions from wages and salaries to the clearing banks, claiming the system would not permit any variation, which of course is rubbish.

4. House mortgage schemes available to customers of clearers.

It is almost the same sort of situation that you find in any high street. "We only have three newsgroups — one more won't do any harm." Not that is, until two of them go out of business!

David Morgan
14, Arden Drive,
Porridge, Solihull.

Imports and exports

From the Divisional General Manager, TBA Industrial Products.

Sir — As part of its continued existence the efficient business enterprise must always be engaged in corporate planning in order to determine clearly forward objectives and targets and if their aggregate sufficient to cover the means of implementing them.

One great problem which today confronts the U.K. "Triumvirate" of Government, CBI, and TUC is their inability, both separately and collectively, to draw up a realistic long-term plan for the successful management of the U.K. economy. A major feature of this national problem is our collective inability to establish a clear forward plan for programming our future "business mix" and the reverse situation of the resources of our partner are to be hence "product mix" will which will minimise our massive imports of raw materials, manufactured

First, the Japanese Upper House is composed of 252 members which fully exploit in the Berg, 152 elected from the 47

most advantageous manner our prefectures and 100 elected by they pay lip service and presumably hope for results.

R. J. S. Perry
Regent House,
16, West Walk, Leicester.

6 Queen Street, W.I.

Legal Services Commission

From Mr. W. P. W. Elwell

Sir — May I with respect point out the flaw in the argument put forward by Sir Henry Benson in his letter to you published on July 8.

Of course it is inevitable that valid votes cast are declared elected. Although this is not exactly proportional representation, it does secure some representation for minority parties and independent candidates.

Elizabeth Lyon.

6 Queen Street, W.I.

Airline booking

From a Director of Lawrence Houson Associates.

Sir — Trans World Airlines' proposed response to the introduction of the Laker Skytrain ("Meeting the Skytrain") by allocating seats on scheduled flights for sale at Skytrain prices and conditions will no doubt be matched by British Airways and Pan American.

Two consequences are predictable: a further dilution of the airlines' revenue and a significant increase in "no-shows". Seats booked but neither used nor cancelled — as travellers insure against failure to obtain a low-fare seat.

The dual benefit of confirmed seat insurance and convenience since the three airlines operate from the same terminal at Heathrow, must surely prove an irresistible attraction to both business and holiday traveller alike to "try" for a low-fare seat. Perhaps the business traveller could avoid early arrival at the airport by employing a representative to "join the queue" and purchase his ticket (it would be interesting to learn whether the sale of a ticket to the traveller's lawful representative could be legally refused).

Whatever purchase restrictions are imposed on low-fare tickets, it is certain that a high percentage of seats will be offloaded.

Passengers who would have travelled in any event, paying a higher fare. The higher proportion of "no-shows" will no doubt result in an increased over-booking ratio by the airlines and thus more passengers off-loaded.

The nature and size of the market for Skytrain and the possible effect on scheduled carriers' traffic have yet to be established. It seems probable, however, that any revenue loss resulting from the Laker operation from Stansted will be more than equalled by self-imposed dilution if the scheduled airlines offer the same low-fare facilities on their own flights. Would not TWA and the other airlines be wiser to exercise even more "reluctant caution" by waiting to assess the effect of Skytrain on their revenue before ensuring its dilution?

F. Hamill
6, Hornsway Way,
London, N.20.

Japanese elections

From the Research Officer, Conservative Action for Electoral Reform.

Sir — With reference to Charles Smith's article (July 11) on the election to the Japanese Upper House, there are a couple of points which need cor-

rection. First, the Japanese Upper House is composed of 252 members which fully exploit in the Berg, 152 elected from the 47

TUC Economic Committee

Following yesterday's discussions on pay and prices with team of Ministers led by Mr. Denis Healey, Chancellor of the Exchequer.

Prime Minister meets doctors' and dentists' representatives at 10 Downing Street to hear their grievances over pay.

Mr. Helmut Schmidt, West German Chancellor, begins two day visit to Washington.

The Queen makes Jubilee visit to North Yorkshire.

Greater London Council's housing policy committee considers scheme to sell homes in need of extensive repair to young couples by lottery.

Mr. Peter Parker, chairman, State, Foreign and Commer-

To-day's Events

British Rail addresses National Union of Railwaymen's conference, Ayr.

English Tourist Board annual report.

PARLIAMENTARY BUSINESS

House of Commons: Criminal Law Bill (Lords), third reading.

House of Lords: Debate on problem of unemployed young people.

Select Committees: Overseas Development Sub-committee; Trade Select Committee; Export Credits Guarantee Department and Bank of England (4.15 p.m., room 6). European Legislation Sub-committee: EEC Budget. Witness: Mr. Frank Judd, Minister of State, Foreign and Commer-

cial Office (4.15 p.m., room 16).

OFFICIAL STATISTICS

Building societies' receipts and loans (June).

COMPANY RESULTS

Birmid, Quacast (half-year).

H. P. Bulmer (full year); Gestetner Holdings (half-year). Scottish and Newcastle Breweries (full year).

COMPANY MEETINGS

Bishop's Stores, Ruislip, 3 Bright (John), Winchester House, 12, 12.15, Dertford Stamping, Birmingham, 12.30, Ever Ready, 12.35, High Road, Whetstone, N.W.C., 12.30, Hill (Philip) Investment Trust, 18, St. James's Square, S.W. 1, 2.45, Newmark Industries, Bristol, 12, Smith Balfour, Bradford, 12.

Making the right decisions depends on having the right connections.

And the right connections are particularly important when it comes to arranging international corporate finance and foreign exchange.

Bank of Tokyo have almost a century of experience in making life easier for the businessman.

For instance, we have branches and connections spanning the length and breadth of five continents.

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COMPANY NEWS + COMMENT

Hogg Robinson 36% rise to over £8m.

WITH ALL PARTS of the group contributing through increased business and by reducing expense ratios, pre-tax profit of Hogg Robinson Group, international insurance and reinsurance brokers, underwriting agents, shipping forwarders and travel agents, improved by 36 per cent. to £3.06m. in the year ended March 31, 1977.

At half-time, reporting an increase from £2.02m. to £2.55m., the directors said that they were confident that the group would have another successful year.

Treasury permission has been received, in the context of last August's 1-for-2 rights issue, for a dividend total from £3.28m. to £3.55m. per share. The net final is 2.275p. Earnings are shown ahead from an adjusted 13.85p to 18.25p.

1976-77 1975-76

Turnover £1,541 13,541

U.K. brokers 13,594 10,681

Overseas brokers 3,700 3,700

Lord's underwriting 1,784 1,784

Profit before tax 3,064 5,013

Insurance brokering 1,783 2,294

Lord's etc. 1,214 1,214

Shares etc. 236 236

Dividends 1,073 1,327

Share income, etc. 261 261

Expenditure items 2,482 2,246

Minorities 269 269

Extraord. credits 215 215

Dividends 1,244 1,244

Retained 2,749 2,389

* Excluding investment income derived from foreign holdings and travel agencies. Includes forwarding and travel agencies. Includes profit on sales.

Mr. Morris Abbott, the chairman, says that some 35 per cent. of broking income was received in foreign currencies and, while the greatest profit growth has come from international and overseas operations, U.K. companies also achieved excellent results.

Underwriting agencies made a very healthy contribution to profits, particularly as the 1974 account in general produced poor underwriting results.

The travel and freight operations almost doubled their profits, partly as a result of increased investment, says the chairman.

Comment

No one is going to complain about a pre-tax advance of 36 per cent. but this rate is below the average for the major insurance brokers. The reason is that Hogg Robinson has a lower exposure to the American market which, for the time being at least, is very profitable. Among the non-broking activities, the travel and freight side was disappointing in view of the extra investment and turnover. It seems that the results in freight are to blame and new management is being put in. Meanwhile, the underwriting agencies did surprisingly well.

Following the Board's recommendation to shareholders to accept the bid from the Saudi Arabian concern National Chemical Industries, it is solidly based and there is

INDEX TO COMPANY HIGHLIGHTS

COMPANY	Page	Col.	COMPANY	Page	Col.
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Anglo American Asphalt	18	5	Meyer (Montague L.)	19	1
Concrete	78	2	Neil & Spencer	20	1
Cropper (James)	21	3	Pilkington Bros.	20	6
Dares Estates	21	7	Provident Life	18	7
Diamond Stylus	18	5	Pullman (R. J.)	21	3
ERF Holdings	21	4	Rathers (Jewellers)	21	1
Fuller Smith	21	2	Riley (Robert)	21	6
Hogg Robinson Group	18	1	Saving Bonds	21	3
International Timber	19	1	Siebe Gorman	21	8
Inveresk Group	20	6	Toothill (R. W.)	18	5
Kenning Motor	18	4	United British Secs.	18	8
Laes (John J.)	21	2	Watson (R. Kelvin)	21	5
Macpherson (Donald)	18	5	Wilkinson Match	21	1

potential for recovery in freight. Ordinary share, no final dividend for the year is recommended. Thus the interim payment of 1.5p net per share compares with last year's total of 3.14p.

Holders are told that a statement will be circulated as soon as practicable setting out the terms of the offer.

Comment

The addition of Dowsett Engineering Construction has made all the difference to Concrete's results. If it had not been for the Dowsett contribution the company's profits would have fallen a third, but that is hardly surprising given the market for precast concrete. As it is Dowsett turns out to be a good deal for the group. Acquired for £3m. in cash it brought back £1m. of cash into the balance sheet and chipped in pre-tax profits of £1.75m. figures. But this is all rather academic in light of the agreed bid of 12.5p a share for Concrete made by National Chemical Industries. Already some 40 per cent. of the Concrete equity has indicated acceptance and even if the exit is 10 per cent. of the latest figures does not look particularly generous, the offer price is double the market price prior to NCI's approach; that could clinch it for the other shareholders. If the bid does fall shareholders will get a final dividend giving a nominal yield of 4.4 per cent. at 12.1p, but the shares would be unlikely to hold on to anything like that price without the bid.

At mid-way when profits were £691,000 compared with £688,000, the directors said they expected final results to be marginally better than those for 1975-76. Following the Board's recommendation to shareholders to accept the bid from the Saudi Arabian concern National Chemical Industries, it is solidly based and there is

Euston Centre shows growth

George Wimpey and Co. subsidiary Euston Centre Properties expanded revenue from £1,183,244

to a record £1,357,610 subject to tax of £702,820, against £699,739, for the year ended March 31, 1977.

At half-time when revenue was £730,000 (£639,000), the directors anticipated a full-time figure in excess of £1.4m.

FIRST-HALF pre-tax profit of Kenning Motor Group expanded from £1.55m. to £2.65m. and Mr. G. Kenning, chairman, is confident that results for the full year September 30, 1977, will show an improvement over last year's record £4.9m.

Basic earnings per 25p share for the half year are shown to be up from 3.2p to 5.3p and from 2.9p to 4.7p fully diluted. The net interim dividend is 1.5p (1.3p) last year's total was 3.716p.

Trading in new and second-hand vehicles improved despite shortages. Service results were well up although profits on parts declined due to a lengthy strike at the factory. Truck centre sales and profits also improved, the directors report.

Kenning Tyre Services showed a marked increase in both sales and profits. Kenning Contract Hire again showed record figures.

Kenning Car Hire made substantial progress with more depots and vehicles being added to the fleet.

Given the necessary deliveries, the combined car and contract hire fleets should amount to about 12,000 vehicles this summer operating from 100 depots, they say.

Further increases were achieved in sales of motor fuels and lubricants. The authorised distributors produced better results due, in part, to the more inclement weather.

Half year 1976-77 1975-76 Turnover £1,702,771 1,635,714 Depreciation 22,466 22,466 Interest 2,761 1,354 Pre-tax profit 521 521 Tax 1,218 1,218 Net profit 303 303 Dividends 1,163 643 Retained 311 371

On purchase consideration for sub-sidiaries acquired in years for period prior to acquisition deducted at average rate imposed by Concrete on surplus funds invested.

At mid-way when profits were £691,000 compared with £688,000, the directors said they expected final results to be marginally better than those for 1975-76.

Following the Board's recom-

mendation to shareholders to accept the bid from the Saudi

Arabian concern National Chemi-

cal Industries of £1.25 per share.

It is solidly based and there is

Still sending garments packed in cartons?

They travel better on hangers whilst reducing the total cost of distribution



Here's where you save:

1. **Wages.** Switching to Tibbett & Britten means you can reduce your despatch staff by up to two in every three.
2. **Packaging Materials.** Instead of having to stock ever-dearer cartons and tissue, use plastic hangers and polythene covers. A significant saving in cost.
3. **Space.** The far shorter handling time means a smaller department can deal with more goods.

And here's where you gain:

1. **Goodwill.** Your customers will no longer have to unpack, re-finish and hang your garments. That saves labour, space and time. Garments ready for the selling rail as soon as they arrive will help the cash to flow.
2. **Speed.** We collect and deliver virtually anywhere in the U.K. in three days, often in two, depending on distance.
3. **Security.** We handle around 45 million garments a year, with losses never yet exceeding 1 in 100,000!
4. **Service.** We collect and deliver punctually and keep in touch so you always know what's going on. And we'll take cartons of clothes you cannot hang as well.

If slotting into our regular network does not suit you, ask about volume rates for specific journeys. Or about vans on contract hire. In our livery or yours. Or about our warehousing call-off service.

If you have garments to move, call Mike Cass. He's our national sales manager. That call could be a great investment for your company.



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881/887 High Road, Tottenham, London N17 2AZ.
Telex: 257547, Tel: 01-806 3040.



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MINING NEWS

Conwest-CEGB uranium hope

BY PAUL CHEESERIGHT

A uranium exploration venture in the U.S. group, Amex, in Saskatchewan, in which the exploration of a section of the U.K. Central Electricity Generating Corporation's nickel prospect in Western Australia, has had only limited success in raising cash from its 3-for-10 discount share issue. Shareholders subscribe for 12.5m of the 9.0m shares offered. The 50 cents shares were offered at 10 cents, and the company raised \$422,000 (£27.500). The latest quarterly report stated:

NORTHAIR PAYS ITS DEBTS

The new British Columbia gold-silver-lead zinc producer, Northair Mines, is whittling down its debt as cash flows in. The working capital deficit at the end of May was \$C3.4m (£1.80m) compared with \$C4.1m at the end of February.

There was a cash flow of \$C1.8m (£920,000) in the first 13 months of the mine's official operations to the end of May. Recently, the Northern president, Mr. David McLeod, said that, given stable metal prices bank debt would be reduced in 14 to 16 months.

Major revisions in the concentrator, necessary to maintain a production of 8,500 tons of ore per month, have been completed. Indeed, output has reached the projected level and is not, Mr. McLeod said, likely to change dramatically in the future.

TANZANYIKA CONCESSIONS

Once again the auditors have qualified the accounts of Tanzania Concessions, this being notably in respect of the company's Rhodesian and African interests. In particular, the 90 per cent group interest in the Benguela Railway, in strife-torn Angola, is not considered by the auditors to be worth the value at which it is included in the balance sheet.

In his annual statement the "Tanks" chairman, Mr. A. L. Hood, says that Benguela operated only a limited service in Angola last year. He adds that while no account for 1976 has been prepared by the railway there can be little doubt that it has suffered a further substantial loss and that 1977 prospects remain unpredictable.

The major source of "Tanks" revenue remains its 1.6 per cent stake in Belgium's Union Miniere and it looks as though the latter's contribution may be marginally lower this year. Not the outlook promising for exchange gains. But prospects look good for the 46.7 per cent owned Elba Industrial group. In all, it seems that "Tanks" earnings may not be greatly changed this year. The shares were 135p yesterday.

MINING BRIEFS

KENYA (PMS) LTD DREDGING—June 1977. KENYA TIN DREDGING—June 1977. KINTA KELLAS TIN DREDGING—June 1977. Stock 40 tonnes (May 42 tonnes).

The Australian company, Endeavour Oil, which is linked with

ing and the results so far are encouraging.

The group manufactures equipment for laundries, dry cleaning and solvent cleansing for the textile industry.

HALF YEAR RESULTS

Sales 4,711 3,687 V.7.2

Profit 303 146 -46

Interest 27 27

Profit before tax 281 129 -57

Taxation 140 65 151

Net profit 141 64 55

REPORTING PRE-TAX profits more than doubled from £128,000 to £281,000 for the half-year to end May 1977. Mr. John Boe, the chairman of Neil and Spencer Holdings says he anticipates that the full year will show further progress towards achieving acceptable results.

The interim dividend is lifted from 6.5p to 8.125p, net per 100 shares. Last year's total was 1.783p paid from pre-tax profits of \$19,000.

Mr. Boe says that Hyciamet and its subsidiary, Sideline Safety, acquired at the end of last year, are proving a satisfactory investment. Test marketing of the solar heating systems is proceed-

Entertainment Guide (Continued)

THEATRES

SHAW, 01-385 1394. Evng. 8.00, Sat. 5.15 and 8.30. Mats. Wed. 2.30. Air conditioning and easy parking. *THE WORLD'S GREATEST SHOWMAN* by George C. Scott. *CONNIE BOOTH, ANGUS MCINNIS*. *THE MOUNTAIN MEN* by Tennessee Williams.

"The finest production of this play I have ever seen," says William F. Buckley.

STRANDS, 01-336 2560. Evening 8.00, Mat. Thurs. 3.00. Sat. 5.30 and 8.30. *NOXUS*, *THE BRITISH*.

ST. GEORGE'S ELIZABETHAN THEATRE, Evans 7.30. Sat. Mat. 2.30. "Letting Shakespeare speak for himself."

D. HAMLET

"Brings Shakespeare immediately effective to life." *Fin. Times*. *Star* ODEON 01-385 1394.

ST. MARTIN'S, CC 01-336 1440. Evng. 8.00, Mat. Tuesday 2.45. Saturday 3 and 8. *AGATHA CHRISTIE'S THE MURDERERS*.

WORLD'S LONGEST EVER RUN

TALK OF THE TOWNS, CC 01-374 5027. From 6.15. *Ding-Dong*, Super Revue and *Star* ODEON 01-385 1394.

THEATRE UPSTAIRS, CC 01-250 2584. Evng. 7.30. *THE WINTER'S TALE* by David Lean.

LAST WEEK

VAUDEVILLE, CC 01-336 9988. Evenings 8.00, 8.30 and 8.45. Mats. Wed. 2.30. *KENNETH MORE*.

MORE WATSON, Carole Seymour in *Frederick Lonsdale's*.

"Underlyin' Inn" *Felix Barker, E.N.* The blitter in the performances.

THEATRE ROYAL, STRAND, 01-554 1317. Evenings 8.00, Sat. and Sun. 5.30 and 8.30.

THE VEGAS POLICE, 01-554 1317. *A GATHERING AT DAWN*.

WAREHOUSE, 01-430 6605. Royal Shakespeare Company small auditorium season.

ST. CECILIA'S, 01-554 1317. Covent Garden. New plays by *JOSEPH RICHARDSON*, *ROBERT MACFARLANE*, *JOHN SCOFIELD*, *MACBETH*, *THE BINGO*. All ages 2.30.

THEATRE IN THE CLOUDS, 01-554 1317. Evenings 8.00, Sat. and Sun. 5.30 and 8.30.

BARGAINS, 01-554 1317. *THE HOLLOWAY ARSENIC AND OLD LACE*.

JOYCE, 01-554 1317. *CAROLYN CLIFFORD*.

INTERNATIONAL, CC 01-374 7725. From 7.00. *Siamese Dream* by *David Bowie*.

— A performance of *THE OUTRAGEOUS COMEDY WOMEN BEHIND BARS* with *SWEET WILLIAM* and *HIGH POWER CAST*.

JOYCE, 01-554 1317. Mary Whitehouse reading to the nation.

BIDS AND DEALS

CU selling German and Austrian interests

BY ERIC SHORT

The Commercial Union Assurance Company and Allianz Versicherungen AG have reached agreement, subject to the approval of the British and German authorities, whereby Allianz will acquire CU's interests in Anglo-Elementar Versicherungs-Aktien-Gesellschaft and Deutsche Elementar Versicherungs-Aktiengesellschaft.

The transaction is taking place on the south-east edge of the Adria basin. Two drills are being put to work in a summer project, which follows on work started in the area during August 1975, with the participation of the Saskatchewan Department of Mineral Resources. The annual budget is \$C1.3m (£825,000).

Conwest and the CEGB each hold 20 per cent of the venture. The Canadian partners have been Edeco Nuclear, the Spanish utility Empresa Nacional De Uranio, and Electrowatt of Switzerland.

Mr. Connell, the chairman of Canada's Conwest Exploration, one of the venture partners, said: "The exploration is taking place on the south-east edge of the Adria basin. Two drills are being put to work in a summer project, which follows on work started in the area during August 1975, with the participation of the Saskatchewan Department of Mineral Resources. The annual budget is \$C1.3m (£825,000).

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There was a cash flow of \$C1.8m (£920,000) in the first 13 months of the mine's official operations to the end of May. Recently, the Northern president, Mr. David McLeod, said that, given stable metal prices bank debt would be reduced in 14 to 16 months.

Major revisions in the concentrator, necessary to maintain a production of 8,500 tons of ore per month, have been completed. Indeed, output has reached the projected level and is not, Mr. McLeod said, likely to change dramatically in the future.

A spokesman for Hall, which supplies a range of products, including reinforcing bars, to Marchwiel, said yesterday: "Marchwiel has had a holding of 70.189 shares in Hall Engineering (Holdings) Ltd., the big civil engineering group which includes Sir Alfred McAlpine and Son. The stake, disclosed yesterday, represents a holding of about 7 per cent in Hall."

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1.32m. in

the Financial Times Wednesday July 13, 1977

K. boost gives Wilkinson Hatch record £12.35m.

T of Wilkinson Match of operating profit reduced from £9.5m. to a record £12.35m. for the year to March 31, subject to UK tax of £1.1m., and overseas tax £1.16m., and overseas tax £2m., against £3.6m. directors are confident that as made over the past three will continue. At halfway, reporting profit up from £10.03m., they said they had first half progress to be made during the second six months earnings are up from £10.18m. per £1 share for year and a net final dividend of 11.7p, this the total from £10.75p, the maximum fed.

Fuller Smith over £1m.

A JUMP in taxable profit from £574,824 to a record £1.01m. is shown by brewers and wine and spirit merchants Fuller Smith and Turner, for the year to April 1, 1977. Sales were £2.94m. better than last year.

Midway profit was £515,822 against £404,572.

Sales for the first three months of the current year have continued to rise and the directors see no reason why the trend should not be maintained. The company is in a healthy condition and they look forward to report further progress.

The dividend is 2.4 per cent.

making 16 pence (14.5 per cent.). The directors say they intend to increase the distribution to shareholders as soon as conditions permit.

The company has close sales.

Tax took £580,583 (£307,223) and, after extraordinary items, £519,311 (£314,627) attributable to members.

John Lees confident.

In the annual statement, Mr. D. Sim, the chairman, comments, "The directors John J. Lees and he is confident the company's conditions after dramatical improvement, the company will continue to trade at a level of profitability which will be not less than in home trade is variable.

U.K. accounted for 31.5 per cent. of turnover (30.9 per cent.) which will be not less than in home trade is variable.

They say they intend to con-

tinuous profitable expansion over

the year ended 31st March 1977. There was also a net final dividend of £50,100.

arising from the sale-back of four properties, add. which are now open and five branches made a useful contribution to sales which were further up 10 per cent. from £8.56m. to

midway, profit was mar-

better at £375,407 against £22, and the directors' fore-

cast full-time figure.

the beginning of the

four years have continued

to a year of

£1.1m. and earnings per 10p share

9.61p (14.89p) and a net

dividend of 0.575p lifts the

maximum permitted £1.03463p (approximately). The

will be increased by 0.02%

standard rate of tax is

a dividend restraint be-

directors consider that

at least three times

the current level is

sufficient.

AC Cars

warns on

second half

company has started testing

on the Continent. A

opened, at the beginning

in Amsterdam, with com-

success. The group is

forward in a concerted

in Holland. Four AC Cars advanced from £78.50 to

units in prime locations

£90,000 for the half year to

March 31, 1977. After tax of £46,800 against

£1.1m. profit was mar-

better at £375,407 against

£22, and the directors' fore-

cast full-time figure.

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for any company or organisation entering this

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LABOUR NEWS

Grunwick should recognise union, High Court rules

RD CHIEF JUSTICE. At a meeting on November 3, your pay and conditions of agreed with Mr. Ward on that point. The expression "worker" clearly extended to someone not for the time being in employment.

The answers were almost unanimous in favour of APEX. For the time being in employment could explode next year, and hopes of reducing unemployment must be dashed.

But, said Lord Widgery, the moment could be dashed.

The final question was whether the ACAS report was nullified by the failure to take into account the opinion of those who had remained in the factory—unless they happened to belong to APEX.

He said he was aware, like everyone else who read the newspapers, that the dispute had assumed enormous proportions.

The report showed how ACAS had reached its decision to make a recommendation without knowing the views of all the workers involved.

"I do not see what else ACAS could do," Lord Widgery said.

They were entitled to break off negotiations with Mr. Ward in view of his conduct.

Mr. Mervyn Hould QC, for Grunwick, had referred to the list of employees as "the last card in Mr. Ward's hand."

"If this is a true analogy he may have done himself great harm by refusing to play it. If he had handed over the list in December, ACAS would have made an attempt to discover the opinions of the two-thirds of the company's employees who had stayed at work.

"Once ACAS had decided not to wait longer for Mr. Ward to take the list it was their duty to look for all other methods of testing the relevant worker opinion."

Ono ACAS could not obtain the information without Mr. Ward's co-operation.

The recommendation covers supervisors and foremen of manual "40-hour staff."

NUJ official fined

Mr. Tim Fell, 35, National Union of Journalists' national organiser for broadcasting, was among those fined at Darlington yesterday for offences arising out of picket action in the North of England Newspapers dispute.

Hospital strike

Sudden unofficial strike action was taken at nine Liverpool hospitals yesterday by ancillary workers, bringing to NUPC.

They are protesting against proposed cuts of £1m. by the area health authority.

Race case rejected

An Indian who told a Brighton Industrial Tribunal he was forced to leave his £52-a-week job as a fitter at an engineering firm because of prejudice by workmates, lost his case yesterday.

Plea on law Bill

Mr. Geoffrey Drain, general secretary of ALGO, has written to Mr. Len Murray urging him "to consider a sympathetic NPE to try to ensure the amendment or defeat of the Criminal Law Bill."

Factory lighting

A proposal to revoke part of the legislation relating to the standard of lighting in factories was put forward yesterday by the Health and Safety Commission, in preference to metrolising existing standards.

Blast furnace could be on time

BRITISH STEEL still hopes that its second 16,000-tonnes-a-day blast furnace due to be commissioned at Redcar, Teesside, next year will be lit on time.

The first of the new giant furnaces, at Llanwern, South Wales, stood idle for a year after commissioning because of a pay and conditions dispute with the blastfurnacemen.

A spokesman for the European section of the council said the Dutch unions wanted to discuss a common approach to Unilever. They had shown special concern at proposals for

closures in Holland at a time when the group was planning an investment programme costing some £100m. in Britain.

However, there appear to be common interests between the Dutch and British trade unionists after closures on the U.K. meat side. The loss-making Walls Meat subsidiary at Hayes, Middlesex was closed last year, making about 550 people redundant.

The Unilever meat problems, manifested in a £15.5m. loss in Holland in the past three years, arise largely from changes in consumer patterns in canned meat. The U.S. market—once so important for Unilever—canned meat exports—has slumped in the wake of the economic depression. Canned meat was so competitive with fresh meat prices during the bad times, according to one theory, the American housewives are now sick of it and it has gone out of fashion.

Bank employees ready to draft pay claim

BY NICK GARNETT, LABOUR STAFF

THE National Union of Bank Employees and the umbrella body for the bank staff associations are on the point of making final drafts of a pay claim on July 28 and put it to the employers on the same day.

The claim is almost certain to have wide effects right through the country's financial institutions, with building societies and other finance houses usually following the lead set in the clearing banks.

One of them is to accept Phase Two payments but with a re-open clause allowing the union to come back for more, something it has already negotiated for the Scottish banks.

The Confederation of Bank Staff Associations appears to be standing firm against accepting a Phase Two payment and instead hoped to start negotiating on the basis of free collective bargaining, providing there is no Government legislation to prevent it.

Mr. Wilfred Aspinall, CBSA general secretary, said he would like to see a claim, in place of Phase Two payments, that would cover the projected inflation rate.

The CBSA is one of a number of groups representing more than 200,000 professional and salaried staff which are seeking a meeting with the Chancellor and the Employment Secretary over pay policy.

The groups, including the Association of Professional Scientists and Technologists, the British Medical Association and the Confederation of Employee Organisations, consider that they have suffered a far greater reduction in real incomes than other groups with comparable earnings during the present Government's pay policy.

They are seeking assurances from the Government that they will be allowed to rectify this position.

Contracts and tenders

REPUBLIC OF IRAQ

MINISTRY OF COMMUNICATIONS

STATE ORGANISATION OF IRAQI PORTS

Combined Port Facilities at Khor-Al-Zubair

Prequalification of Contractors

1. The State Organisation of Iraqi Ports intends to invite tenders from a short list of qualified contractors for the construction of industrial port facilities at Khor-Al-Zubair, near Basrah.

2. The works include 5 berths each 250 m. long, storage buildings for phosphate and urea with a capacity of 370,000 tonnes, freight sheds, railways, roads, buildings, mechanical handling, conveying and ship loading equipment.

3. Comprehensive tenders for a single contract covering all aspects of the project will be invited about September 1977 on the basic of detailed designs, specifications and bills of quantities prepared by Consultant of the project.

4. Visits to the site of the works can be made by appointment through the President of SOIP.

5. Interested firms or consortia should submit details of their previous experience of similar works, together with particulars of their financial resources, plant availability, necessary references and proposed arrangements with manufacturers and suppliers.

6. The SOIP does not bind itself to invite tenders from all or any of the applicants and cannot entertain any queries or correspondence regarding reasons for an applicant not being included in the list.

7. Submissions should be made to the undersigned with a copy to Husband & Co., Consulting Engineers, St. Ermin's, Caxton Street, London SW1H 0QP, England, not later than 18th July, 1977.

The successful applicants will be required to pay the sum of £1,00/- against tender documents and drawings that will be sent to them upon receipt of this sum.

The President
State Organisation of Iraqi Ports
Ma'qal, Basrah, Iraq

Financial Times journalist appeals aims of unreasonable delay dismissed

ORDON TETHER, a journalistic ability before the court.

Mr. Tether, 63, who wrote the newspaper's Lombard column for the Financial Times and is seeking reinstatement. He has rejected a compensation offer of full pay until normal retirement age and an unacted pension.

The hearing of his claim has been adjourned, and could not be heard on May 1. A further two days has been reserved this week and 30 more in October.

Mr. Tether, of Worpleston, Surrey, said that the newspaper and its advisors had been mainly responsible for unreasonable delays and had made errors in forecasting the length of the hearing. He also asked for allegations of professional incompetence to be struck out.

Mr. Tether said that the serious delay in the completion of the case was contributing to the degree of injustice he was suffering. He had not before been heard on any of the newspaper's applications for post-pensions.

Mr. Tether alleged that the implied that the alleged deterioration of the respondents' advised throughout topics.

Mr. Tether added that as he had brought witnesses before the tribunal referring to his hearing would take.

Mr. Tether said that the hearing continues to-day.

Press Association

Judges reject union's appeal over strike

THE NATIONAL and Local Government Officers' Association's constitution empowering conference to initiate strike action by an instruction binding on members failed yesterday in its appeal against a court order granted in March prohibiting the union holding a one-day strike in protest against Government cuts. The order also prohibited it putting into effect the strike call on any later date.

Three Appeal Judges in the First Division of the Court of Session in Edinburgh also refused the union leave to appeal to the House of Lords.

The union had appealed against the interim interdict granted by Lord Cameron on March 8, when he held that the union's conference in January had no power to issue the strike instruction to members.

Lord President Emslie said the petition was brought by seven members of the union who claimed a substantial majority of members opposed the proposed

strike. The BBC apologised for quoting from a National Union of Journalists' statement which suggested that the Birmingham Post and Mail had acted oppressively towards its employees.

The judge said the found nothing

in the union's constitution

and its executive council's

opposition to the strike.

The hearing continues to-day.

Press Association

Rodgers warns NUR on bargaining

BY OUR LABOUR STAFF

UNLESS the return to free collective bargaining is conducted in a phased and orderly way, not only wages but prices could explode next year, and hopes of reducing unemployment could be dashed.

Mr. William Rodgers, Transport Secretary, told the National Union of Railways conference at Ayr yesterday.

But the choice before the Government had been stark—either we presided over a total economic collapse or we took the necessary measures to get inflation under control and put the economy on course for retarded growth.

Mr. Rodgers, speaking hours before last night's important meeting between the Government and the TUC economic committee, used his visit to the NUR conference to issue a strong appeal for continued

trade union support for the Government.

The Government, he said, had every intention of continuing in office "until it completes its full term in 1979."

He accepted that living standards had been cut, and public expenditure on vital services had back.

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But the choice before the Government had been stark—either we presided over a total economic collapse or we took the necessary measures to get inflation under control and put the economy on course for retarded growth.

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AMERICAN NEWS

Kellogg-Tropicana new merger bid

BY JAY PALMER

KELLOGG AND Tropicana, two attracted by its superior growth good overseas showing compared of America's biggest names at the breakfast table, have resumed their on-again, off-again main reason for rejecting the merger talks. Two earlier cereal company's earlier bids. If attempts to finalise a merger Kellogg is to succeed, it will have agreement in 1974 and 1976, offer.

broke down and this marks the third try.

Tropicana, the largest of Florida's fruit juice producers, stressed in its brief statement that the renewed talks did not signal in any way a preliminary agreement. "We are willing to sit down and talk to anyone," a spokesman said. "That is all there is to it—at this time."

Kellogg, the world's largest manufacturer of ready-to-eat cereals and the maker of "Corn Flakes," "All Bran" and "Special K," refused to comment on the new talks. The company refused to confirm reports that its initial take-over offer on this occasion is substantially above previous bids.

In 1974, Tropicana first accepted and then rejected Kellogg's bid of a share-for-share swap valued at \$185.6m. In May, 1976, Tropicana turned down the second offer, again in shares, valued at \$313.9m. At today's stock market close, Tropicana is valued at about \$304m.

Kellogg's motive for a takeover of Tropicana are fairly clear. While cereals remain a strong market, the growth in demand is small and acquisition of the Florida company would take it into a different product with a similar market aim that is faster-growing.

There are, however, two imponderables. First, Kellogg, like the rest of the breakfast cereal producers, is now the target of a Federal Trade Commission anti-trust investigation which could threaten any new attempt at diversification.

Second, Tropicana remains Morgan Stanley to establish a well aware that Kellogg is presence both on the West Coast

Progress seen for banks

EARNINGS OF major U.S. banks

in the second quarter of this year, should show a marked improvement on the 1976 second quarter, though they may produce only a modest increase over this year's first quarter, analysts here believe, reports Reuter.

The banks, which will be virtually alone in having cut its prime to 6 per cent.

However, analysts were encouraged by the results last Friday.

The estimated loan-loss provisions overall will be the same as the first quarter, though about 5 to 10 per cent below last year's second quarter.

Last week Manufacturers

NEW YORK, July 12.

Hanover Corporation chairman Gabriel Haase said the bank will soon report second-quarter earnings very satisfactorily above those of the year-earlier \$1.16 per share.

Salomon Bros' Warren Marcus said he believes banks' second-quarter figures may show some improvement on the first quarter.

William Welant of First Boston Corporation said he believes the average gain in bank earnings over last year will be around 7 per cent. The best gains would be by U.S. west coast banks reporting good mortgage and consumer loan demand as well as good growth in savings deposits, which were low-cost funds.

These banks might report earnings as much as 20 to 25 per cent higher than last year's second quarter, he said. The major New York banks might show profit increases of only 3 to 5 per cent.

The estimated loan-loss provisions overall will be the same as the first quarter, though about 5 to 10 per cent below last year's second quarter.

He emphasised that the group would continue to try to sell off the retail chain and that, once this was completed, it would consolidate and recover through its on-going and profitable, but still somewhat troubled, textile operations.

UMM, in its Chapter 11 filing, said that as of March 1977, it had assets of \$5.65m. and liabilities estimated to be \$3.81m. A subsidiary, which as of that date was in the process of being sold to California's Crocker Bank, listed assets of \$3.86m. and liabilities of \$2.93m.

Mr. Schwab confirmed reports that some of the company's bank balances had been seized this morning by Binkers Trust and added that he expected similar action to be taken very shortly on other accounts by other bank creditors.

Shuman Agnew "the resources with which to grow, and bring our customers the benefits of working with one of the country's leading investment banking firms."

Both firms have been profitable every year since their foundation. Morgan Stanley in 1933, Shuman Agnew in 1942, and their operations will be complementary. While Morgan Stanley is known primarily as a manager of underwritings and one of the leading institutional brokers, it

has recently expanded its investment banking and brokerage services.

Morgan Stanley's securities

marketing has been oriented to institutions, whereas Shuman Agnew has aimed at marketing investment services and investment grade securities to large retail accounts—all the members of its executive committee are major producers of retail business.

Shuman Agnew will continue to operate with its present management. The agreement is subject to the final approval of the stockholders of both firms.

Mellon income tops

\$33m. in first half

MELLON NATIONAL Corporation net earnings on this basis were \$16.88m., or \$1.73 a share, against \$15.20m., or \$1.55 a share.

Assets are put at \$9.75m., and

deposits at \$6.75m.

Second quarter earnings on the same basis were up 12.5 per cent. compared with the same period of 1976, to \$17.01m. from \$15.22m.

The increases, the Corporation said, resulted primarily from higher net interest income, higher trust department income and the earnings contribution of Local Loan Company, a consumer finance subsidiary acquired in the third quarter of 1976.

Mellon is optimistic that the prospect of continued economic expansion, in particular business spending for plant and equipment, will be reflected in a further strengthening of loan demand.

Average loans outstanding in the half-year were \$55bn., up \$861m. or 8 per cent. from the 1976 first-half.

Earnings a share in the first six months were \$3.41, against \$2.98, after securities transactions, and in the second quarter \$1.74, against \$1.55.

Net earnings before securities transactions in the half-year came to \$32.89m., or \$3.44 a share, compared with \$30.37m. or \$3.10 a share. For the second

quarter net earnings on this basis rose 14.5 per cent. in the first half of the year to \$33.39m., from \$28.16m. in the same period last year.

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J. P. MORGAN and Co. Inc. reports second quarter of erasing profits per share of \$1.23 against \$1.11 in the same 1976 quarter.

Profit for the period comes out at \$50.20m. against \$45m. in the second quarter last year, writes our New York staff.

This brings Morgan's first half profit to \$99.7m. against \$80m. and per share operating profit comes out at \$2.45 against \$2.26 for the first half last year.

* * *

MERRILL LYNCH and Co. Inc. which reported a 15.7 per cent decline in its second quarter earnings, said its operating expenses in the second quarter rose 13.7 per cent. to \$35.1m., most of which was due to a rise in interest expense and start-up costs of new enterprises.

In the earnings announcement, chairman Donald T. Regan said second quarter revenues rose, however, despite a decline in commission revenues. He did not elaborate. The company's second quarter earnings declined to \$16.4m. from \$19.5m., while revenues rose 15.1 per cent. at \$235.1m., reports Reuter.

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VIEW (Vereinigte Edelstahlwerke), the nationalised Austrian special steel concern posted a 44 per cent. of the turnover as with an unchanged turnover 1976, and the Board intends there will be further losses this year, albeit smaller.

The business year 1975 also declined to increase capital by Sch.900m. to Sch.1.42bn.

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UNIVERSALIS, the Austrian building company, announced a dividend of 8 per cent. and a bonus of 5 per cent. for 1978 on paid capital of Sch.11.7m. as against a dividend of 10 per cent. plus a bonus of 4 per cent. on Sch.9.55m. capital a year earlier.

Turnover was up last year by 13 per cent. to Sch.2.35bn. and the consolidated balance sheet by Sch.423m. to Sch.1.89bn. Investments last year were Sch.84.4m. (\$6.7m.). Interest income was up by Sch.18m. to Sch.22.1m.

Personal staff reached 3,250.

Orders on hand at the beginning of 1977 were enough to cover capacities for over a year.

The company is also engaged in construction work in Saudi

Arabia and in some other East countries.

Despite competition the Board re-

sponded so that the book loss

amounted to only Sch.7.8m.

During the first half of 1977 there will be further losses this year, albeit smaller.

The general meeting

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WIENER ALLIANZ, the insurance company, is reducing its dividend from 10 per cent. for 1976 to 7 per cent. for 1977.

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

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PARIS, July 12.

ANCIAL companies Peugeot-Citroen up are raising 11.3 per cent on domestic bond money will be used their permanent to finance their activities. A credit share of Frs.100m. by Diffusion Industrielle (DIN) which credit needs of concessionnaires of Peugeot sales offers financing of the price of new months.

Credit issued by a trading firm formed two years' long-term leasing with tons of Peugeot cars, 10,000 vehicles. DIN, which employs seven people, was years ago and exists credit needs of car sales network and overseas group. Its new resources it to extend its service Citroen half of the group.

Citroen holds just over 10 per cent of the two companies and 65.5 per cent. The bank is a wholly owned subsidiary of the Societe Financiere et de l'Industrie which has a 50 per cent stake in PSA open.

an bank

E RISCHIE Bank has taken a stake 1.1 per cent. in the capital of the Europaeische (SFE) Dresdner Bank of the previous shareholders reports.

its participation a equal stake of 10 per cent. SFE has 10 per cent. and at the end-of-the year sheet total was 10 per cent.

reholders now are bank Schweizerische Raiffeisen AG, Algemene Handel NV, Banque d'Alvernia, and SA, Banque Lambert SA, Banque de Paris, Barclays International and ank.

sa raises lance Hollywood EHD is to and bank over to 6m. Ringgit to of the acquisition Mr. Merlin (Malay) enters at one ringgit applying to Kuala Lumpur Stock Exchange. The company said the be appropriated company's internal Renter.

will be at an est rate of 10 per num, and will be a short-term at any specific repayment. It is subject to of the Foreign Committee and an Sentera shareing to be held on

International Spiesshofer and to Sw.Fr.5.5m. (Sw.Fr.2.8m.).

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WALL STREET + OVERSEAS MARKETS

+ FOREIGN EXCHANGES

Further 2 off on economic worries

BY OUR WALL STREET CORRESPONDENT

PRICES SLIPPED today, further in fairly active trading on Wall Street to-day, reflecting waning investor confidence in the longer-term strength of the economy.

The Dow Jones Average shed 2.12 more to 903.41, while the NYSE All Common Index declined 3 cents further to \$34.80. Losses outweighed advances by 731 to 661, although turnover increased to 22.47m shares from 19.78m yesterday.

President Carter's comments about the economy at a News Conference to-day failed to allay these fears, market analysts said.

Carter told reporters in reply to a question that he "feels good" about current economic trends although he conceded that a lot of uncertainty remains.

Analysts also noted to-day's Government report of flat U.S. Retail Sales in June as further evidence that the rate of recovery may be slowing.

Leading the actives were

TUESDAY'S ACTIVE STOCKS

Stocks closing
traded price
July 12
17000 371
Brush Petroleum 243,000 16
C. & K. Petroleum 16,000 16
Dow Chemical 18,700 21
Texaco 349,100 29
Phillips Petroleum 237,400 31
Mobil Oil 237,000 31
Std. Oil California 307,000 42
Texaco Utilities 360,700 21
General Electric 192,000 34

Atlantic Richfield, which fell another \$1 to \$371, and Standard Oil of Ohio, \$1 lower at \$371; each had 100,000 shares in the Alaska pipe-

OTHER MARKETS

Canada up again

Canadian Stock Markets made

further progress in active trading after increasing its dividend 21 cents to 47 cents a share. Union Oil of California improved to \$361.

Vornado rose \$1 to \$71, it has agreed to sell the West Coast division of two Guy's Department Stores to Fed-Mart.

J. P. Morgan was down \$1 at \$501 after reporting only slightly higher second-quarter earnings.

Great Aircraft were ahead \$1 at \$241 on higher quarterly results.

THE AMERICAN SE Market Value Index, after improving a further 0.10 by 1.00 p.m., reacted to end 0.01 easier on the day at 121.78.

Volume rose to 3.06m. shares from 2.51m. yesterday.

Great Basins Petroleum, the most active stock, rose \$1 to \$34. C. & K. Petroleum edged up \$1 to \$34, on its participation in a \$30m. joint venture to explore offshore Federal waters in the Gulf of Mexico.

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Std. Oil California 307,000 42
Texaco Utilities 360,700 21
General Electric 192,000 34

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Indices

NEW YORK - DOW JONES

July July July July July July Since compilation
12 11 10 9 8 7 6 5 High Low High Low

Industrial... 908.41 898.54 878.50 899.51 907.73 812.59 1977-1977

Homes/Bds... 27.85 27.55 27.25 27.65 27.85 27.15 1977-1977

Transport... 265.41 237.05 237.29 237.10 237.25 234.02 1977-1977

Utilities... 117.45 116.53 116.85 116.45 115.29 117.43 1977-1977

Trading vol. 22,470 19,700 25,820 21,740 21,280 16,850

* Basis of index changed from July 1.

July 6 June 30 June 17 Year ago approx.
Ind. div. yield % 4.85 4.83 4.79 * 3.79

STANDARD AND POORS

July July July July July July Since compilation
12 11 10 9 8 7 6 5 High Low High Low

*Industrials 109.33 109.59 109.74 109.55 109.58 110.25 1977-1977

*Composite 99.46 98.85 98.78 98.85 98.56 100.05 1977-1977

July 6 June 22 Year ago approx.
Ind. div. yield % 4.42 4.56 4.57 3.35

Ind. P/E Ratio 10.14 10.30 10.32 12.85

Long Govt. Bond yield 7.60 7.53 7.57 5.67

OVERSEAS SHARE INFORMATION

NEW YORK

Stock July July July July July July
12 11 10 9 8 7 6 5
Stock July July July July July July
12 11 10 9 8 7 6 5
Cornell Glass... 644 644 644 644 644 644 1977-1977

Abbott Labs... 452 452 452 452 452 452 1977-1977

American Graph... 251 251 251 251 251 251 1977-1977

Alv. Products... 211 211 211 211 211 211 1977-1977

Alv. Alum. 29 29 29 29 29 29 1977-1977

Alv. Aluminum 26 26 26 26 26 26 1977-1977

Alv. Ales... 51 51 51 51 51 51 1977-1977

Alv. Aeronautics 211 211 211 211 211 211 1977-1977

Alv. Aerial Power 211 211 211 211 211 211 1977-1977

Alv. Alit. Chemicals 49 49 49 49 49 49 1977-1977

Alv. Stores... 22 22 22 22 22 22 1977-1977

Alv. Chalmers 41 41 41 41 41 41 1977-1977

Amex... 41 41 41 41 41 41 1977-1977

Ames... 26 26 26 26 26 26 1977-1977

Amer. Broadcast 44 44 44 44 44 44 1977-1977

Amer. Can. 43 43 43 43 43 43 1977-1977

Amer. Can. Gas 62 62 62 62 62 62 1977-1977

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COMMODITIES AND RAW MATERIALS

es losing U.K. beet sugar crop may market break previous record

By JOHN EDWARDS, COMMODITIES EDITOR

Barnes

HAGEN, July 12. BRITAIN'S SUGAR-beet crop, common with other arable crops, its part in undermining sentiment on the world market.

ISH Butter Export has been forced to draw on its reserves to maintain price levels during the last year, according to a report by the Beet Planters Association yesterday.

This would exceed the previous record of 1,069,000 tonnes set by the 1971 crop and considerably exceed the disappointing sugar crops of the past three years, based on just under 3m. tonnes is forecast.

Drought last year cut the crop, noted the planting of a record acreage.

This year the acreage planted has been cut back slightly, but the increase in yields from last year's low level is likely to result in a much larger crop providing the weather continues its present favourable mixture of sunshine and rain.

The British Sugar Corporation continues to refuse to speculate on the size of the forthcoming crop. But farmers in the main growing areas generally are more than usually optimistic, although it is thought harvesting may start later than usual in

New Zealand, Germany producers increased of the U.K. butter the first part of the year share dropped 14 per cent. to about

is the only country using the spring and following the price suppliers were able their share of the selling butter from review prices.

ecott
ul on
er strike

W YORK, July 12. T Copper is hopeful uses barring a return its copper-producing will be settled before week. Mr. Manfred vice-president of

a four Utah copper that have not comment. Four others mines division are said. Locals have yet to

scheduled to meet effort to end the strike the company in stability did not work to

ODITY MARKET REPORTS AND PRICES

METALS moving in a wide range and after a day's trading London closed on the highest point of the day, while New York closed at a lower point.

Analysed Metal Trading reported that in the morning cash wires traded at \$721.00, reflecting the recent fall in the price of copper. The house liquidation of long receivable market caused a rise of \$45.475 by Comex was lower but

forward metal, pre-market, at \$718.00, reflecting a further advance in the spot and bull liquidation caused a decline which set off some loss selling. The cash and wire market and the price moved higher in the afternoon, with the price of copper market. Pre-market forward metal was quoted at \$724.00-\$25.00 per tonne. In the afternoon the price moved lower in the rings and trade market, and after the price slipped down from \$720.00, then recovered to close at the day at \$720.75 after a day of modest trading. Turnover 3,700 tonnes.

United 01-351 3466 October Soya Beans 1121-1131 £/ton free trading on commodity futures

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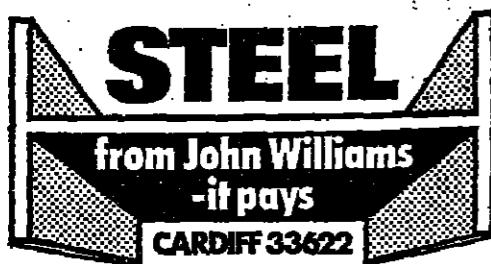
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FT SHARE INFORMATION SERVICE

The Financial Times Wednesday July 13 1977

INDUSTRIALS
(Miscel.)



FINANCIAL TIMES

Wednesday July 13 1977

Post Office still plans to axe second letter delivery

By KEVIN DONE, INDUSTRIAL STAFF

THE POST Office is sticking to its long-term plans to cut out the parcels market altogether.

Such a withdrawal could threaten 17,000 jobs in the corporation.

That no further action would be taken and that no further planning on this was being undertaken.

Details of the proposed cuts are in the Post Office's latest postal business plan, which contains projections for the business over the next ten years.

The plan accepts that letter traffic, which has been declining steadily since 1967-68 will not increase over the next decade.

The parcels service, which has made a loss in all but one of the past 21 years and which last year ran up a deficit of £42.8m., must become self-supporting within three years, says the plan.

But it warns that if the corporation's current pricing policy is frustrated by Government intervention, the Post Office will be

forced to withdraw from the parcels market altogether.

Present delivery arrangements must be rationalised, says the business plan "to avoid the serious waste of manpower inherent in the current system of two deliveries a day."

The long-term plan to do away with the second delivery is allied closely to the Post Office's aim of a sharp and continuing improvement in productivity over the next decade.

Relyance on mechanisation, which has produced far fewer savings than originally expected in the early 1960s—and existing manpower savings will help restore the productivity that has been lost in the past ten years.

If the service can be made viable, however, the Post Office feels there is ample scope for development.

A "steely organised" parcel service, which is fully covered, its costs, would provide a sound platform from which to invade the markets of less efficient carriers.

In each of the last two years, the postal service has reduced its workforce by 3,300. But the plan suggests Post Office manpower should be reduced by a further 25,000 over the next 10

years. It aims to ensure the abandonment of second deliveries is phased to avoid redundancies.

Even on pessimistic assumptions, the postal business can be maintained as a viable concern, says the plan. But major problems remain.

It is scathing about changes in Government policy on pricing over recent years. It attributes many difficulties of the last decade—deficits rising from £24.1m. in 1973 to £36.6m. in 1976—to moving back into growing surplus in the last two years to long periods of uneconomic pricing and subsidies followed by the sudden return to economic pricing.

Costs must now be rigorously contained, says the plan, keeping prices at their lowest level. They must not be allowed to rise at a significantly higher rate than the retail price index.

New drive against vans from Japan

By Terry Dodsworth,
Motor Industry Correspondent

THE MOTOR INDUSTRY is mounting an offensive against Japanese vehicle imports following the rapid increase in sales of imported vans and pickups in the past 18 months.

This new initiative, undertaken with the full knowledge of the Department of Trade, may easily reopen the acrimonious war of words that burst out between the British and Japanese industries over car imports two years ago.

Since then the car import issue has been resolved by the understanding that the Japanese manufacturers will limit their imports to Britain to 10 per cent of the market.

But a new rift has emerged because of the belief in the British industry that the Japanese have sidestepped this informal agreement on trading

restraint by switching their efforts to small commercial vehicles.

As at the time of the car imports row, U.K. manufacturers claim that the rapid build-up of Japanese commercial vehicle sales—almost 7 per cent of the U.K. van market—is disrupting domestic manufacturers.

If this continues the companies say, it may lead to political and trade union pressure for formal curbs on Japanese imports, a development which would be in no one's best interest.

These arguments have been put to Mr. Edmund Bell, the Trade Secretary, by a team from the Society of Motor Manufacturers and Traders within the past fortnight.

After this meeting the society sent a letter to the Japanese Automobile Manufacturers Association, indicating the industry's view that the Japanese should exercise voluntary restraint in this area.

The degree of Japanese penetration of the light commercial vehicle sector is another striking illustration of the speed with which they move into an overseas market.

Datsun and Honda are established as the third and fourth largest importers in this field, after Chrysler and Volkswagen, despite the fact that Datsun began bringing in its vehicles only two years ago and Honda last autumn.

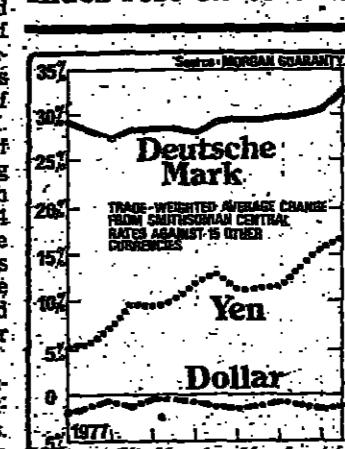
Mazda and Toyota are established importers in this sector, and Colt, which began car imports only two-and-a-half years ago, plans to add light commercials in the near future.

Commercial Union's decision to sell its subsidiaries in Austria and Germany was the group's first shake-up in its top management, and it does not herald the start of any major programme of divestment around the world. But the disposals

THE LEX COLUMN

Overseas scope for Wilkinson Match

Index rose 6.5 to 446.3



Meyer indicates that in April was poor June was satisfactory.

Lower money rates certainly help. The pair both cases in 1976-77 a higher interest charges second six months in trading profits which at the first-half level £7,660, at half-time finished with £14.2m. full year, while Internat 26.58m. compares with after six months and £1m. for 1975/76.

International achievement recoveries from very low in most of its trading including a big plus round by its troubles seen operating. Meyer been rallying from a depressed level, and saying—in the context overall fall in how much of a part stock appreciation though, taking the opt to cease providing for tax, releasing £1.2m. chance to write £4.9m.

But whatever the split (and one of the original diversifications which has come off well is the safety and protection division responsible for one-third of the profits increase) Wilkinson Match has now ridden out the slump in consumer spending which hit it right after the merger and these are the most convincing overall profits so far.

With interest charges slightly down, the pre-tax figure £30 per cent ahead at £12.35m. With net losses on disposals attributable earnings more than doubled to £4.6m.

While it can hold its share against Gillette and Bic in its razor markets and it arguably has an easier time in many of its match markets than its major shareholder, Swedish Match.

Losses on lighters and writing instruments are Wilkinson Match's major headaches. The competition, including Gillette and Bic in these areas too, is formidable. But reserves have increased to £1.1m.—mainly on a property revaluation—and at 156p the yield is 8.4 per cent.

Timber The timber trade has faced more difficult conditions in recent months, with consumption well down on 1976 levels by over one-tenth, according to official statistics—and prices steady after last year's surge which helped to push a useful amount of stock appreciation into published results. A nervous eye is being kept on the dollar, still holding steady at 8.4 per cent.

Commercial Union The Scandinavian currencies further devaluation of which could make timber prices turn a little steeper. Still, the two sector majors in the rate could be once the pay deal more resolved and the difficulties for International Timber has produced little Devaluation talk in the centre again on quarter, and Montague, L. Davian currencies.

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SANWA BANK

Commission to look at discounts

By Elinor Goodman,
Consumer Affairs Correspondent

THE MONOPOLIES Commission is to look at the system of discounts given by suppliers to retailers.

It will try to establish how far these discounts are related to cost savings and whether they operate in the public interest.

The investigation will cover the whole field of distribution, but is likely to concentrate on the grocery retailing sector.

Because they buy in bulk, big supermarket groups are often able to get much better terms from manufacturers than independent shops, even though it is not always cheaper to supply the supermarkets.

The reference, which is the sixth such general inquiry into a trading practice, the Commission has been asked to carry out, was announced yesterday by Mr. Robert MacLennan, Parliamentary Under Secretary for Prices.

U.S. law

It follows the Commission's report last November on the frozen food market, which questioned the merits of some discount arrangements, particularly when not directly related to savings involved in servicing the larger customers.

In some countries, including the U.S., trade discounts have to be related to cost savings by law, so big retailers are prevented from getting better terms than their smaller competitors simply because they are buying in bulk.

Some organisations representing small shopkeepers in Britain would like to see similar protection introduced here.

Mrs. Sally Oppenheim, Opposition spokesman on prices and consumer protection, has suggested that limitation on discounts may be needed.

Many big retail groups, some of whom have grown by exploiting their buying muscle both to buy and sell more cheaply than their competitors, would argue that freedom to negotiate the biggest discounts allows them to offer the best prices to the public.

Carter implies favour for neutron bomb

By JUREK MARTIN, U.S. EDITOR

PRESIDENT CARTER to-day implied he was in favour of the controversial neutron bomb, but the majority leader, gave the impression that the President's support for the weapon was also.

Although his remarks did not quite live up to Senator Byrd's advance billing, the White House confirmed that Mr. Carter had sent a message to Congressional leaders supporting the appropriation of funds.

Although the bomb has already been successfully tested at facilities in the Nevada Desert, deployment would also require consultations with other NATO countries. The U.S. defence establishment is known to feel that the weapon, which can be delivered either through delivery shells or as a warhead in the Lance missile, is a major strategic weapon, power to order its use would presumably be vested in a local commander in the field.

President Carter addressed himself in some of these concerns and repeated his belief that ownership and use of atomic weapons was a "horrible prospect," and therefore a deterrent to their use.

Opponents of the neutron bomb have been threatening in the Congress, perhaps in the form of a "complete impact" statement analysis" which he would send to Congress.

At present, funding of an unspecified amount for work on the neutron bomb is contained in a filibuster. They have argued that it is inhuman in conception,

WASHINGTON, July 12

over rated as a weapon, a complicating factor in the SALT talks, and, perhaps most important, dangerous because it lowers the threshold of nuclear warfare.

As it stands at the moment, only the President of the United States is empowered to order any form of nuclear strike. But since the neutron bomb is a nuclear device, useable in a relatively confined space and not a major strategic weapon, power to order its use would presumably be vested in a local commander in the field.

President Carter addressed himself in some of these concerns and repeated his belief that ownership and use of atomic weapons was a "horrible prospect," and therefore a deterrent to their use.

Mr. Owen, pointing out the need for a fundamental change of heart on his part on such issues as the need to retain the confidence of the white Rhodesians. Unless there was such a change of heart, there was "no hope" of a settlement.

The "all is well" attitude espoused by Mr. Graham and Mr. Low when they met the news media was "completely wrong and misleading," the spokesman said, and it had therefore been necessary to "set the record straight."

Salisbury warns on settlement

BY TONY HAWKINS

BLINDLY warning that there would be no Rhodesian settlement unless Britain had a "comprehensive change of mind" on several fundamental issues," the Salisbury Government yesterday threw cold water on optimistic reports of progress in the present Anglo-American settlement talks (SALT) with the Soviet Union.

Noting that the bomb "should be one of our options," he observed that the destruction it could cause "would be less than that caused by an equivalent weapon of other types."

He promised that before backing deployment he would order a "complete impact" statement analysis" which he would send to Congress.

The Government spokesman said that the leaders of the negotiating team — Mr. John

Smith and Dr. David Owen, British Foreign Secretary.

The spokesman said Mr. Graham had taken back a "very clear and precise" message to Dr. Owen, pointing out the need for a fundamental change of heart on his part on such issues as the need to retain the confidence of the white Rhodesians.

Unless there was such a change of heart, there was "no hope" of a settlement.

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Continued from Page 1

Grunwick

spokesman, went further than in accepting the right of an individual not to belong to a trade union. Previously Mr. Callaghan has avoided antagonising his Left-wing by declaring too open a commitment.

Mr. Prior, who has not always seen eye to eye with Mrs. Thatcher on the issues of the closed shop, said that many people believed there were a large number of constituents who did not want to belong to a union was as important as the right to belong.

Mr. Callaghan said he had always taken the view that there was a right not to belong when he was a trade unionist himself. But this was not the same as insisting on certain conditions over the closed shop, as the Conservative Party had done in the past.

There were angry shouts from the Labour benches when Mr. John Gorst, the Conservative MP who has been advancing Mr. Ward's suggestion that there was no obligation whatever on ACAS to consult the majority of workers in a dispute.

He wondered in this case whether there was a blemish in the law, and whether a change should be made.

The Prime Minister retorted that he hoped Mr. Gorst would advise "those he has been consulting with" to accept the High Court verdict, "so that this tiny dispute, magnified out of all knowledge, can be put into the background."

The High Court decision was hailed as a "splendid victory" by Mr. Roy Grantham, APEX general secretary. It would, he said, discourage other small firms from following in Grunwick's footsteps, but the company was still trying to avoid a conclusion "that is not acceptable to it."

EEC pressure on S. Africa likely

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

IN A MOVE spurred by their growing anxiety at developments in Southern Africa, EEC Foreign Ministers agreed to-day, to explore practical ways in which investments by European companies in South Africa could be used as a lever to bring about economic and social change in their black workers to join unions.

A joint move by the Nine would bring more positive results than the largely ineffective unilateral code of conduct instituted by Britain several years ago.

He suggested that EEC governments consider adopting a "code of conduct" for the South African subsidiaries of European companies and should also study means of preventing "sanctions-busting" by affiliates of European oil companies which are alleged to have supplied oil illegally to Rhodesia.

The Foreign Secretary said that the delegation at the meeting that the Nine imposing economic and commercial sanctions against South Africa could not be excluded.

This option was dismissed as inadvisable by Dr. Owen, though he said that the Community many.

BRUSSELS, July 12.

should see whether it could bring pressure to bear on South Africa through its common commercial policy.

Sanctions are also opposed by several other EEC governments, particularly France and Germany.

Some rain in W. later.

Weather

U.K. TODAY

WARM except in E.

London, S.E., S.W., Cent. S.

England, Midlands, S. Wales,

Channel Isles

Scattered thunderstorms, wind

light, N. Max 22°C (72°F).

N.E. N.W. Scotland, Edinburgh,

Dumfries, Aberdeen, Cent.

Highlands, Moray Firth,

Mainly dry, bright intervals,

Wind light, N. Max 13-14°C (54-

87°F).</div